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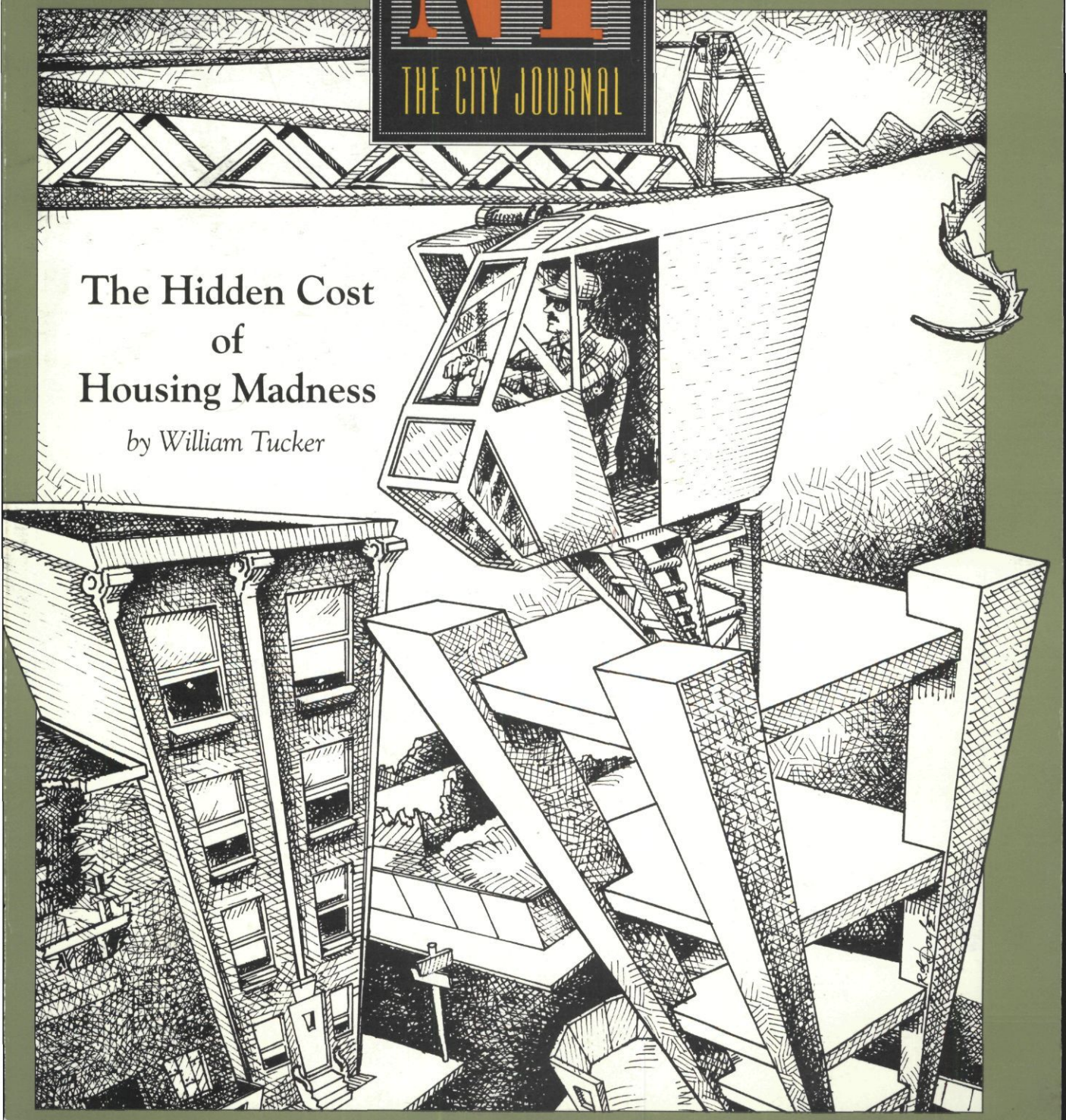
The Hidden Cost of Housing Madness

by William Tucker



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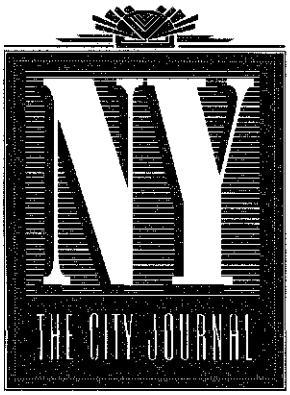

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Welcome to NY

The city we love is at a turning point.

To be a New Yorker is to love and to hate, to boast and to recoil, to dream and to fear. For years, New Yorkers have lived a double life: working amid the splendor of the new capital of the Western world, the true heir of London, Paris, and Rome; living amid the filth, fear, and frustration of a city that does not work, that has not worked for decades.

New Yorkers come here for the reason people have always streamed to a capital city: because it is the place to observe, meet, work alongside, and match wits with the greatest assemblage of human virtuosity anywhere in the world. The cliché, for once, is correct: If people can make it here, they can make it anywhere. For the privilege of a ringside seat or a place in the ring, New Yorkers have always cheerfully made the personal sacrifices a big city demands.

But for decades now the toll of sacrifices has mounted. Fired by the opportunities that sustain their public lives, New Yorkers try to excuse the intolerable conditions in which they lead their private lives. Yet even on salaries that amaze less venturesome contemporaries elsewhere, more and more people find they cannot make a decent life for their families in the city. They begin to measure up success on a finer scale and contemplate escape. A whole generation of New Yorkers experiences this vivid tension: to be in love and yet to be on edge—poised for flight.

The two lives of New York are, like the identities of Jekyll and Hyde, an unstable pairing. Eventually one will dominate the other and become the true character of the city. New York will either once again become a city of people who wish to be here, or it will inevitably be transformed into a city of only those who must be here. There will always be many such people, and the city will survive. But such a New York would be an angrier, poorer, and smaller place.

This magazine was born of a desire to close the rift between our public and private lives, to lighten the burdens New Yorkers must carry, to focus some of the immense ingenuity and energy which flows to New York on making the city livable once again. About New York's future we remain cautiously, but stubbornly, optimistic.

There is good reason to believe that the point of no return, at which New York's public and private lives narrow into one, is fast approaching. In part this is because of the sheer passage of time: It has been three decades since the quality of New York City life began its rapid decline. A whole generation has been raised that has never known, and can barely imagine or hope for a New York that works. And yet just three decades ago the city's public school system functioned tolerably well, we still had a reasonably affordable housing market, our transit system was envied around the world, and the city's infrastructure was being not only maintained, but expanded.

More important, New York faces a basic worldwide transformation: the emergence of a global information economy, in which information becomes the driving force in production, outstripping both sheer labor power and raw material in relative

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importance. In the new economy, victory goes to the cities with the greatest reserves of intellectual capital, which cannot be hoarded by capitalists or tied down by governments, because it is carried around in people's heads.

This transformation of the global economy should, by all rights, bring New York a new preeminence. From its early days as a merchant port and financial center, through its pioneering of skilled manufacturing trades and professions, New York City has always led the information economy; it has always been low on acreage and high on talent. Even now, the city leads in most of the great information industries, from finance to fashion, art to publishing. Most important, it is still an intellectual magnet, still the one place to which the best and brightest stream. The information economy could prove New York's salvation.

Victory, however, is not inevitable. The changing nature of the economy may also prove the city's undoing. For economic competition is now more than ever competition for people, people who are not immobile like apartment buildings or utility plants, people who can go elsewhere if they choose. Cities, like nations, must compete for people by offering a better quality of life; the most desirable will attract the most human capital, and prosper accordingly.

It would not take much to turn New York around. Just the basics: a working school system, a reasonable housing market, civility on the streets, faith that there is some other law operating here besides the law of the jungle. If we could only come so far in restoring the quality of private life our other natural advantages would make us sure winners in the competition for people.

New York City needs to recover a basic insight: The common good is not a luxury item. What the common good is, and how to achieve it, is the basic stuff of political debate. For too long now, along with working schools, bridges, and subways, New York City has lacked a working politics. *NY*'s goal is to restore to the city something it has lacked for decades: real debate about the city's very real problems. The magazine will provide a forum for those interested in new, innovative solutions to the city's stubborn ills. We are not interested in binding ourselves to the platitudes of the right or the left. The age of the ideological straitjacket is, we hope, over. We do believe in looking at radical solutions to New York's radical problems. We are interested in fundamental reforms, not simply ways of coping. New Yorkers have coped with too much for far too long.

Many who enter the city abandon all hope. Not all of them leave. Some remain, carefully cultivating cynicism, wearing irony like a badge of honor. These voices of New York, despairing of making the city livable, have instead come to celebrate the unlivable, to wallow in the dirt and the drugs and the degradation, to call it "real," "gritty," "authentic." A whole generation of New Yorkers have been offered only these alternatives: to flee or to shrug.

To these people, and to every concerned citizen, *NY* offers that rare commodity: hope. If in facing New York's serious problems we occasionally sound grim, it is not because we are grim at heart. This is a labor of love. Like all labors, it begins in pain and ends, we hope, in the rebirth of America's greatest city.

Welcome to *NY*.

— *The Editors*

Did New York's Tax Cuts Work?

A recent *New York Times* dispatch from East Berlin tells why economics behind the Iron Curtain was an especially dismal science. "To penalize private property and stifle individual initiative," it noted, "East Germany had imposed income taxes on self-

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employed individuals or on private companies of well beyond 50 percent."

The story might have raised a grim smile in places closer to home—say in East Elmhurst, East Islip, or the East Eighties. Even after a series of highly publicized tax cuts, many New Yorkers face combined marginal tax rates approaching that stifling 50 percent level. And unlike inhabitants of Chemnitz and Leipzig, the beleaguered denizens of Chelsea and Levittown do not even have a sense of impending liberation: In New York, tax rates are headed up, not down.

In the worldwide war between taxes and growth, most governments are coming down firmly on the side of growth. But in New York, after a decade of supposedly record tax cuts ("Biggest tax cuts in New York history," Governor Cuomo's press releases have warbled), Albany recently agreed to raise taxes by $1.4 billion. Legislators argue that even after the recent hefty hike, taxes are still much lower than in the bad old 1970s. Well, aren't they?

A look at the data reveals the oft repeated boasts of tax reform in New York (Gotham Glasnost? Mario-stroika?) are half right. New York did cut some taxes, and those tax cuts were a rousing success, actually increasing tax revenues as the affected taxpayers became more productive contributors to New York's economy. But the tax cuts were a halting, halfway matter that failed to reach large segments of the middle class. And now that taxes are headed back up, the missed opportunities are looming larger than ever.

When marginal tax rates are cut, people work harder and longer, take more income as salary rather than perks, and stop devoting as much effort to sheltering income. The economy gets a boost; tax revenues do not drop as much as would otherwise be expected from the cuts, and in some cases may rise. At the level of state (as opposed to federal) tax policy, two added factors loom large that can magnify these "supply-side" effects: migration and allocation. New York's tax climate notoriously drives people, especially retirees, out of state. Moreover, many people have some discretion over how to allocate income between states: They may, for example, decide to cash in large capital gains before moving to New York or after moving out.

Albany's "static" analysis (which assumes that tax cuts have no effect on taxpayers' behavior) estimates that New York's tax reforms have cost state coffers from $1.5 billion to $3.4 billion a year. In reality, collections from the state's income tax began skyrocketing when rates were cut. From fiscal 1985 to fiscal 1989 income tax revenues soared 38 percent, from $10.6 billion to an estimated $14.6 billion, far outpacing the growth in the state's economy. Even as economic troubles began to cut into other tax revenues, income tax revenues continued to pour in at record levels.

But within this broadly favorable current were some disturbing eddies and undertows. For one thing, New York's tax reforms were not straightforward cuts, but a combination of cuts and increases that produced losers as well as winners. Most of the winners fell into three broad categories:

- Taxpayers with high incomes. Taxes were cut across the board, but "bracket creep"—the tendency of inflation to push taxpayers into higher brackets—wiped out much or all of the cut for many taxpayers. The one group that need not worry about bracket creep is the group that is already well into the top bracket. As the top state rate on salaries dropped from 9.5 percent to today's 7.875 percent, these taxpayers got a genuine cut.

- Taxpayers with savings income. New York had formerly maintained separate and extraordinarily punitive tax rates for interest, dividends, and other forms of return on savings. The high rates kicked in even at modest income levels: In 1985 a married

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couple making $28,000 in wages with a half-year's income salted away in a savings account faced a 13.75 percent marginal state tax rate on the savings interest. New York's tax reform abolished the punitive differential, thus taxing savings income at the same rate as wages and salaries—a clear gain for retirees, especially.

• Taxpayers who take the standard deduction rather than itemizing. In a tricky maneuver, New York increased its standard deduction by $4,200, to $9,500 for a married couple, while abolishing its old personal exemption, which had amounted to $1,800 for a married couple. For taxpayers who would have taken the standard deduction anyway, the changes added up to a clear gain. But those who itemize their deductions lost the benefit of the old personal exemption and got nothing in return. Since both the standard deduction and the personal exemption are of limited benefit to the wealthy, both changes were proportionally more significant to low- and moderate-income taxpayers than to the affluent.

As for the economic and fiscal effects of the tax cuts, where New York gave genuine supply-side economics a try, it worked. The people who received the largest tax-rate cut wound up paying more taxes. The first piece of evidence to that effect is that Albany collected far more tax revenue than it would have expected to from normal income growth. A computer simulation using the National Bureau of Economic Research's TAXSIM model indicates that given no change in taxpayer behavior as a result of the tax cuts, state tax receipts in the 1989 tax year (which is different from the fiscal year) "should" have come in at $14.1 billion. Preliminary figures suggest that actual receipts will be closer to $15.1 billion. The extra billion dollars represents 7 percent more revenue than expected, or an extra $135 per taxpayer, suggesting that taxpayers changed their behavior in response to the cuts by earning more taxable income.

Even stronger evidence of a supply-side effect is where the extra revenue came from. In 1985 the highest earning 100,000 taxpayers shouldered 22.8 percent of the total income tax burden; by 1989 they shouldered 27.8 percent, despite the fact that upper-income taxpayers got the biggest tax-rate cuts. The extra share represents about $650 million in extra taxes paid by the very wealthy. By cutting the tax rates of top-bracket taxpayers, the state got more revenue, just as supply-side theory predicts.

Nothing is ever simple in tax calculations, and a full analysis must take into account changes in the federal tax code. In particular, the 1986 federal tax reform slashed the marginal tax rate faced by high earners from 50 percent to 28 or 33 percent, while wiping out many deductions and shelters. On the other hand it eliminated the former capital-gains preference, raising federal taxes on that form of income from an effective 20 percent to 28 or 33 percent. Wealthier taxpayers thus had an incentive to earn and report less income from capital gains but more income from other sources. That is exactly what they did. At the federal level the two effects basically canceled each other out: The overall share of federal taxes paid by top earners remained about level between 1985 and 1988, after rising earlier in the decade in response to the supply-side tax cuts of 1981.

These federal changes were bound to affect New York's tax collections because Albany uses much the same tax base as Washington. Better-off New Yorkers inevitably reported relatively more regular income and fewer capital gains, with their payments to state tax authorities rising and falling respectively. The significant fact is that while on the federal level the two changes canceled each other out in the later 1980s, in New York the positive revenue effect swamped the negative—suggesting that the state's own tax cuts had a crucial

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independent impact. The data are never as precise as a social scientist could wish, but on current evidence it appears that supply-side economics can claim New York as one of its great successes.

So much for the good news. The bad news is that much of the middle class never got a tax cut at all. What the state was supposedly letting them keep through one set of policies, it was busily siphoning off through others.

To begin with, middle-class taxpayers frequently itemize deductions, and itemizers were clear losers from the state's two-step exemption-and-deduction shuffle. Moderate-income taxpayers with high deductions, notably homeowners with mortgages, took the biggest proportional hit. In addition, the New York reforms forbade married couples to file separate returns as a means of cutting their tax bills. (This was camouflaged by talk of simplicity: "1987 marked the first year in which two-income married couples could file simple joint returns," the Governor's Message proclaimed in that year, although most couples would probably rather have kept the extra money and filled out the extra form.) Younger married homeowners, thus, were hit twice over.

Consider Mike and Debbie, a couple struggling to get a footing in the middle class. They earn $30,000 and $12,000 as a cabbie and beautician respectively. They bought a row house in Queens five years ago on a hefty mortgage and pay $10,000 in interest and $3,000 in property taxes a year. In 1985, they paid state taxes of $1,501. In 1989 they owe $1,566. To them, the "record" state tax cut looks more like an increase.

Most middle-class taxpayers did better than that, but not always by much. Schoolteachers David and Sylvia earn $30,000 apiece and bought a more expensive West Side co-op on which deductible payments total $18,000. They paid $2,698 in state taxes in 1985 and $2,590 in 1989. The "record" cut left them with just $2 a week more.

Of course these examples are unrealistic in one obvious respect: Most people's income did not remain fixed over those four years, but went up, due partly to inflation and partly to real growth. Had David and Sylvia kept up with national norms, their combined earnings would have grown by 28 percent over those four years from $60,000 to $77,000. But then their tax bill would have risen by a whopping 46 percent, from $2,698 to $3,929. Each one percent rise in a New Yorker's income leads, on average, to a 1.64 percent rise in the state tax payments.

The biggest culprit is bracket creep. New York has cut tax rates, but it refuses to follow the Federal Government by indexing its tax code to inflation. Between bracket creep, the exemption loss, and the marriage penalty, the state more than snatched back the middle class's supposed tax cut.

Computer estimates done using the TAXSIM model show that the figures for David and Sylvia are in fact typical: A nationally representative 28 percent rise in New Yorkers' incomes would have led, under the changes in the state's tax code, to a 45 percent rise in state income tax collec-

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tions. Had Albany's income-tax revenues merely grown at the same rate as the income of state residents, they would have totaled $12.4 billion; instead, the model produces $14.1 billion (not counting behavior changes, which in the case of rising tax rates are likely to be negative). The middle class emerged from New York's historic tax cuts with a net tax hike of $1.7 billion.

And so it goes. Middle-class New Yorkers continue to labor under a tax burden extraordinary by the standards of the rest of the country. Personal income taxes are more than twice as high here as in other states on average. Sales and other taxes are high too: Overall, Albany's tax take runs 40 percent above the national average. The real kicker is that New York is one of only four states in the country—and the only large urban state—where local governments impose a higher tax burden than the state itself does.

New York's political leaders have a sort of half-success on their hands that is more embarrassing than an outright failure. They did just enough tax-cutting at the top rates to establish that tax-cutting works, while withholding relief from most of the hard-pressed middle class. Rather than doing the obvious thing and extending tax reform to average New Yorkers, they prefer to get back on the tax-raising treadmill that served New York so poorly in the past. It is a poor doctor who has to bury his successes.

— Lawrence Lindsey and Edwin Rubenstein

The Baby Doctor Bust

New York City's biggest public provider of prenatal care to indigent women, the Maternity, Infant Care and Family Planning Project, is now turning away pregnant women who need help. The problem is not lack of money, but lack of physicians.

At last count, one of every six New York obstetricians had stopped delivering babies. About half the obstetrics residents trained here now leave the state to open practices elsewhere. For the moment, the crisis is worst upstate and among the uninsured. But it is only a matter of time, specialists predict, before even the privately insured Manhattan mother has a hard time finding someone to deliver her baby. "We have a system that really is about to fracture," warns Mary Armao McCarthy, executive director of the New York State office of the American College of Obstetricians and Gynecologists (ACOG).

It is not hard to figure out why. New York obstetricians get sued—a lot. Eight of ten have been hit with malpractice lawsuits at least once, and at current rates each can look forward to defending about eight suits over a career. "Everybody I know has been sued or is in the process of going through suits," says Stephen Gettinger, a Long Island gynecologist and co-chairman of the New York ACOG's committee on professional liability.

Statewide, liability insurance costs obstetricians more than half as much as their entire net income. In New York City and Long Island, they shell out more than $100,000 a year for it. Of course they pass these costs on to patients as higher fees and health insurance premiums. The annual cost of insuring New York hospitals and doctors against lawsuits comes to $1 billion.

The litigation trends are national in scope, but New York, known for aggressive lawyers and high damage awards, fares especially badly. The average obstetrics malpractice verdict in New York, at $643,000, is three times the national average. The reason is not that New York doctors are less careful than those elsewhere. New York City offers some of the world's best medical care, yet its insurance rates are five times higher than those of Arkansas. The problem is New York's overheated legal system.

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Why obstetricians in particular? One reason is the intensity of litigation over infant brain damage. Varying degrees of neurological handicap, most notably cerebral palsy, occur in 5 to 10 percent of newborns. Lawsuits over such conditions are especially widespread in New York, accounting for 40 percent of claims against obstetricians in 1987, compared with 31 percent nationwide. One major insurer has reported that payouts on claims for brain-damaged babies accounted for more than half its payouts on ob/gyn coverage in New York. The lawsuits typically blame cerebral palsy or similar conditions on such delivery-related events as fetal asphyxia (oxygen deprivation during labor). "The allegation always is that the doctor should have done a cesarean section, or should have done one sooner," says Gettinger.

The National Institutes of Medicine, however, says epidemiological evidence and massive clinical trials cast "serious doubt" on the long-held assumption that obstetric errors are a leading cause of infant brain damage. One major study found that "no foreseeable intervention is likely to prevent a large portion of cerebral palsy" and that the results "suggest a relatively small role for factors of labor and delivery." Karin Nelson, a highly regarded pediatric neurologist at the National Institutes of Health, has found that at most 6 percent of infant brain damage cases might be caused by birth events. Scientists, let alone juries, have great difficulty determining which few percent those are. "It is abundantly clear," a National Institutes of Medicine study points out, "that medical malpractice claims are not confined to the worst practitioners or the worst health care institutions."

Most of the lawsuits fail. A recent Harvard University study found that only one of every eight New York babies collects compensation when a malpractice suit is brought. But every so often jurors "throw up their hands and say, 'We don't know why this baby is impaired, but this baby needs help,'" says McCarthy. When that happens multi-million dollar awards are not uncommon. Because jury awards are so random, insurance companies are under pressure to settle any case where the baby's condition is grave.

That adds up to can't-miss economics for the trial lawyers, who take as much as 40 percent of any cash award in contingency fees, along with another hefty chunk for expenses. "All it takes to sue a physician is $75 and a letter from another doctor," observes Dr. Harvey Rutstein. Rutstein stopped practicing in 1982, shortly after all charges against him were dropped in a $17 million lawsuit brought by the family of a six-year-old he had delivered. The experience, he said, left him "with a huge psychological scar that will never heal." "If somebody sued you and claimed you were incompetent, how would you feel?" asks Gettinger.

The fighting can drag on for years. In New York, lawyers can file cases up to 10 years (previously 21 years) after a birth. The suits take another 3.2 years on average to resolve; much longer than the national average of 1.9 years. Practicing obstetrician Albert Ellman has one suit that is still going after 10 years. One of his partners was hit with seven lawsuits, and although none were settled against him, he quit obstetrics at age 46.

Hardest hit have been women upstate where obstetrics is often part of a diverse family practice. Family physicians who now and then used to deliver a baby find they cannot cover the added insurance costs. A 1987 survey found 37 percent of New York obstetrician/gynecologists had curtailed their obstetrics practices. Upstate obstetrics groups report extreme difficulty recruiting new doctors. McCarthy says one private Albany practice has dropped from five to three partners because it has been unable to fill obstetric vacancies for the past four years. Three residents turned down offers of

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partnership, citing New York's liability climate. A group practice in the Geneva area has been trying to recruit an obstetrician for six years without success. Pregnant women in the Albany suburb of Delmar will have to go elsewhere for obstetric care starting July 1, when a local five-doctor practice quits delivering babies. Mothers-to-be in Newburgh last year could choose among eleven obstetricians; this year, only six are still practicing.

As obstetrics care dries up in rural areas, many women are traveling to large metropolitan and university hospitals. In rural Wayne County, where two physicians gave up their practices over the past two years, many women now travel to Rochester or Syracuse for care. Yet many city hospitals are sophisticated facilities geared for high-risk pregnancies. Their specialized mission, says McCarthy, "is hampered when they are flooded with routine cases."

Poor women also lose out. More than a quarter of New York's obstetricians have also reduced or eliminated services to "high-risk" women, and doctors often regard Medicaid payment as a sign of high-risk pregnancy. Infants of poor women generally are more prone to low birth weight and neurological damage. In inner cities, says Ellman, more women start out as drug abusers, smokers, or alcoholics, and then delay seeking prenatal care. "If they get into the system late, there's already a problem with that baby."

Another reason obstetricians avoid poor women is that Medicaid payments barely cover a physicians' out-of-pocket expenses, much less pay for his time. The cost of malpractice insurance all by itself—averaging $800 per delivery statewide, and $1,000 in New York City and Long Island—nearly equals New York's Medicaid reimbursement rate of $1,037 per birth. With liability risks as high as they are, hospital wards and clinics serving the poor are having increasing difficulty getting physician's to do volunteer care, says Solan Chao, professor of clinical ob/gyn at Cornell and former ob/gyn director at Harlem Hospital. More of these women are now getting inadequate prenatal care, he says, and commonly show up in emergency rooms for deliveries.

Middle-class women with abnormal pregnancies may find that they too have a hard time locating an obstetrician willing to deliver their child. And, thanks to the liability climate, women today are much more likely to endure cesarean sections. Nationwide, one in every four deliveries is a cesarean section, up from just one out of 20 two decades ago. If there is any possibility a woman needs a cesarean, says Gettinger, many physicians now "do it, for fear of litigation if you don't."

Ironically, at most 40 cents of every dollar paid in liability insurance premiums actually winds up in the hands of suffering families. A few families receive millions, most nothing. Most of the money goes to legal fees and expenses.

Trial lawyers respond that insurance rates look as if they have peaked for the moment. If so, it is at extremely high levels: Premiums rose 646 percent in New York from 1975 to 1986. Physicians have begun

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pushing for a no-fault system that would compensate impaired infants regardless of negligence, but with limits on "pain and suffering" awards. According to one consulting study, if cases of brain damage were removed from the tort system, the expenses of all severely impaired children could be paid at just 40 percent of the current cost, with more than 10 times as many infants benefiting from the system. Backers argue that the new proposals would remedy the limitations that have impaired the no-fault obstetrics malpractice schemes that have been tried in a few other states. State health commissioner David Axelrod has lent some support to the idea, but plaintiffs' lawyers have been adept at blocking reform in the past and could do so again.

— Carolyn Lochhead

EMS, One More Time

Emergency Medical Services is the city's chronic invalid. Every couple of years or so headlines scream and patients die because New York City ambulances don't show up on time. Then comes the big fix: The city pours out the money, pulls EMS's performance up to New York City's (mediocre) standards, and declares the EMS crisis resolved.

EMS has been "fixed" by the city many times. The fix lasts only long enough for public attention to wander. "After every tragedy there has been an improvement, but only with the infusion of large amounts of money," says former City Hall administrator and Baruch/CUNY professor E.S. Savas. "Then service has inevitably declined."

In 1980, for example, EMS' average response time—the time it takes an ambulance to arrive after a call—stood at a horrendous 18 minutes. The city put pressure on EMS to clean up its act. By 1986, management initiatives reduced the figure to between 9 and 10 minutes. Then the backsliding began. By the summer of 1987 average response time was over 13 minutes, and over 15 minutes in the Bronx. In the summer of 1988, at least six New Yorkers died because ambulances did not arrive on time. The city embarked on another round of elaborate, expensive reform, announcing plans to add 200 ambulances, expand training, hire more supervisors, and begin emphasizing preventive maintenance—all at an estimated annual cost of $21 million. Average response time has now dropped to 8.5 minutes, 7 minutes for the most serious emergencies. The city declared itself satisfied: The EMS crisis was officially over.

Yet many other cities provide better service, at no greater cost, without eternally recurring crises. Rather than hauling EMS in for expensive minor repairs each time it breaks down, perhaps it is time for a complete overhaul: Perhaps the city should get out of the EMS business altogether, turning the job over to the sort of private EMS service that performs so well in other U.S. cities. San Diego and Fort Worth both contract their businesses out to private services and their average response times, for example, are under 5 minutes. Over the last 21 months the worst weekly average response time of Rochester's private EMS (during an icy spell last December), was six minutes.

Nor do these other cities pay more to get first-rate service. Rochester's EMS runs without a subsidy and charges lower fees than New York City's. San Diego pays a subsidy of only $1.83 per capita compared with the $15.42 per capita New York City spends on EMS, although San Diego does charge users a fee somewhat higher than New York's. (The basic New York charge is $175.)

Many New Yorkers automatically assume that anything here will be slower than in other cities. But it is not really clear why New York should trail so far behind a city like San Diego, which has a population of one million and heavy traffic problems.

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New York is much denser, but that should give it the edge in speed in some respects: More people live close to dispatching sites. And a large share of all ambulance calls are made at night or at other less-than-gridlock traffic hours.

How do other cities' EMS services get ambulances to the scene so quickly? In part through intensive use of a computer-aided management technique known as "systems status planning." Sophisticated data bases generalize from the time and places of past calls to let supervisors forecast with remarkable accuracy how many calls will come in at a particular hour from a given area. The computer then tells EMS supervisors to shift available ambulances from one neighborhood to another on a minute-to-minute ("real-time") basis to handle unexpected surges in demand. Because demand fluctuates a lot, personnel are deployed flexibly: Extra drivers are on call in the right places and during peak hours, and shift lengths vary from six to 12 hours and occasionally as long as 18 with rest breaks.

New York, on the other hand, falls down alike on the hardware and software. EMS does use a computer program to help supervisors deploy ambulances, but the $800,000 software appears not to work well, either on the mainframe it was designed for or on the Apple II PC on which EMS runs it instead. EMS says it does schedule shifts according to formulas revised quarterly to reflect patterns of demand, but the data base appears far more primitive than that used elsewhere. Crucially, EMS computers lack real-time capability: Ambulances are deployed by unassisted humans.

An efficient emergency medical service would shift many ambulance crews from places like Wall Street by day to places like Harlem at night. New York's service imbalances have led to charges that service is rationed according to political pull. As John Kifner reported in *The New York Times* last November 27, EMS keeps only four paramedic crews on call after dark north of 96th Street.

Political considerations, in the form of union demands, affect EMS's personnel policies too. City leaders always have a tough time saying no to city workers, who vote in city elections. EMS drivers work only standard eight-hour shifts, rather than the flexible longer shifts that have proved effective in other cities. Worse, New York drivers and attendants are not primarily responsible for the maintenance of their vehicles. Maintenance is a separate union function, and it is all done at one big garage in Queens. By contrast, Las Vegas paramedics and emergency medical technicians get two weeks of training so they can do their own basic maintenance.

In well-run EMSs, ambulance fleets are usually kept something like 25 percent larger than needed during peak demand, so that vehicles can be routinely rotated for maintenance and can be pulled off duty for repairs at the first sign of trouble. In New York, by contrast, ambulance procurement, which is subject to periodic corruption scandals, is one of the easiest items to cut from the city's perennially overstretched budget. In fact, the EMS crisis of 1988 was partly caused by a moratorium on new ambulance purchases that the city imposed to halt earlier procurement scandals: At one point during 1988, half of New York City's aging fleet of ambulances was down for maintenance.

Rochester, San Diego, Las Vegas, and Fort Worth are among the one in seven American cities that contract out EMS service to private companies. Every private EMS provider, in fact, beats New York's response times by a wide margin. Mercy, Inc., which handles 911 calls in Reno, Nevada, Fort Wayne, Indiana, and about half of Grand Rapids, Michigan, achieved an average response time in those cities of 4.5 minutes in 1989. Every private EMS service answers 90 percent of life-threatening calls in eight minutes or less. This 90

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percent threshold is a considerably higher standard than average response-times, which are the only kind calculated by New York's EMS.

One reason private services do better is that they are contractually obligated to do so: City contracts hold private EMS providers to explicit time standards, as well as maintenance, equipment, and training levels. Companies face financial penalties if they fall short, ranging from modest per-incident fines to forfeiture of hefty performance bonds—$700,000, for example, in Fort Worth, a city about the size of Staten Island. If a private EMS's ambulances don't show up on time, the company loses money. It is hard to build these kinds of incentives into any city-run service. "Can you imagine EMS being fined by another city department for every minute of extra response time?" asks Robert Forbuss, who runs a private ambulance service in Las Vegas.

"One of the greatest advantages of contracting out is that the old purchasing mechanism is taken out of the realm of politics and the bureaucracy," says Tony Myers, who directs the city agency which oversees emergency services in Fort Worth. When the city ran its own EMS, he says, red tape hampered hiring and firing, purchasing, and other aspects of management.

Politicians must still be watched in outside contracting, of course. In New York, contracting out has sometimes been an invitation to graft, as in the Parking Violations Bureau scandals of the late 1980s. But most such scandals have occurred when a large city agency subcontracts a variety of smaller jobs with little public visibility, such as collecting overdue fines in the case of PVB. Contracting out a whole and very visible service like EMS, however, would make oversight easier because it is easier for the public and civic watchdog groups to watch one contract than a thousand smaller hiring and purchasing decisions. If the contract itself is set up right (i.e. not on a cost-plus basis), the provider has no incentive to lower its profits by driving up its own expenditures.

One modest reform step would be for New York to open contract bidding for a single borough—perhaps the Bronx, which has historically been ill-served by the city EMS. (There is no reason for an unwieldy central authority to serve all five boroughs in any case.) If Bronx EMS service becomes known as the best and speediest in the city—as it almost certainly would be—the other boroughs would begin to press for reform as well.

So far EMS reform has not made it onto the city's agenda. The piecemeal management changes the city periodically imposes on EMS are inadequate: Indeed they often merely precipitate the next crisis, as in the ambulance procurement moratorium. EMS is a politically allocated service. It responds to political pressures that are intermittent and often contradictory. As long as EMS is run in response to pressure groups in this crisis-and-response mode, it lays itself open to charges of favoritism, which if difficult to prove are also difficult to refute.

Spokeswoman Lynn Schulman says EMS is "exploring many ideas" about how to improve service, but that contracting out is not among them. Asked about privatization, EMT union chief Richard McAllen denounces it as "profiteering on patients' lives." Trouble is, the taboo on "profiteering" probably is costing lives, not saving them. George Heisel, President of the Professional Ambulance Association of New York, has no doubts: "For the money New York City spends on EMS, it could have an eight-minute response time for 90 percent of life-threatening calls, and Cadillac-level medical service." Instead, New Yorkers get a slow and politicized service lurching from crisis to crisis, trying to forget its last round of tragedies, and stumbling toward its next.

— Mark Cunningham

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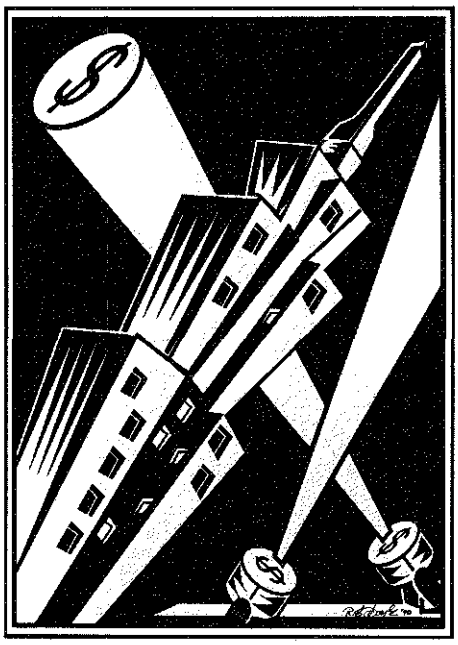
Is New York Going Down the Tubes?

by Peter D. Salins

Predicting New York City's imminent demise has been a popular pastime for several decades. New York's prospects appeared particularly gloomy during its brush with bankruptcy in the early 1970s, and cries of doom are being heard once again today. But even before 1972, and even during the recent economic boom, few prophets were very bullish about the future of America's largest metropolis. Why does New York seem to be forever "going down the tubes"? And is its long-prophesied doom finally at hand?



Well, everything is relative. Urban America is a troubled enterprise everywhere, so the most critical measure of New York's future is whether the city is losing ground relative to its municipal peers or near peers. By that measure, at least, New York is not going down the tubes. It possesses the strongest municipal economy in the nation, perhaps the strongest in the world. Its economic strengths are precisely in those industries that will increasingly dominate the world economy. Like all central cities in U.S. metropolitan areas, New York continues to lose segments of its economy to its own or other suburbs, but at a lower rate than other large American cities do. What it retains is the "crème de la crème" of urban jobs.

New York's economy cannot and will not die, even if it continues to be battered by the most egregious external economic shocks, by the social ills that afflict all American cities, and by the mistakes of a well-meaning but disoriented public sector. The question is not whether New York will survive, but will New York thrive?

For the city is subject as never before to entropic social forces that blight the lives of millions of New Yorkers and impose great fiscal burdens on the treasury and taxpayers. Especially sad is the visible decline in the city's "quality of life," which owes as much to the city government's misconceived policies as to the underlying problems they are meant to address. But precisely because so many of New York's difficulties are self-imposed it has more leeway than most U.S. cities to revive its fortunes. Far less than most cities is New York's future hostage to forces beyond its control.

Urban blight, urban promise

True the city is a "leader" in many urban problems. Even the crime rate, which was previously lower than that of many large American cities (in 1985, New York had half the crime rate of Portland, Oregon), has soared, advancing New York to fourth place in mugging among major cities,

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and right behind Los Angeles in murder, and Detroit in assault. Vagrants, if not actually more numerous here than in most cities, are more visible and threatening to public order. The AIDS crisis, our most frightening health problem, has afflicted New York more severely than any city in the nation, both relatively and in absolute terms.

New York's general housing quality is well below that of most other cities as measured by extremely low vacancy rates, higher rents at the margin, and the general senility of an aging and crumbling housing stock. The city's poverty rate is up and rising, more families are breaking up, more teenagers are single parents, more youngsters skip school, more children are abused, neglected, or in foster care, and more babies have become murder victims.

All this might be taken in stride if New York continued to enjoy robust economic growth, with all the attendant effervescence that characterized its yuppie-dominated lifestyle markets from restaurants to real estate. But the recent less-than-rosy economic statistics seem to justify the fears fueled by the stock market crash, which resulted in the loss of 26,000 financial industry jobs, the demise of some of the city's most venerable department stores, and not least, the collapse of the real estate market.

Alongside these obvious problems, however, New York has a few unique and enduring, even growing, strengths.

The gorgeous mosaic: Most other large American cities are ethnically bi- or tripolar: usually black, Hispanic, and white. Some, like Los Angeles and San Francisco, also have a significant complement of Asian Americans. Only New York, however, truly has a gorgeous mosaic of ethnic, racial, and linguistic affiliations. With a rapidly growing Asian population dominated by the Chinese, and a great many new European immigrants from Italy, Ireland, and the U.S.S.R., between 25 and 30 percent of the population of New York is foreign born, far more than any other city. The benefits of New York's enhanced ethnic mix include not only the energy and vitality of the immigrants, but the depolarization of racial politics. Notwithstanding such celebrated racial incidents as Howard Beach and Bensonhurst, and the steady media drumbeat proclaiming a "city on the edge," New York is neither black enough (24 percent) nor white enough (46 percent) for these tensions to mean as much as they might in, say, Chicago.

Home to the elite: No other U.S. city can match New York in the high proportion of the metropolitan economic and cultural elite that actually resides in the city, especially its core. Defining and measuring elites is a difficult task. But a suggestive statistic is that of the region's 2.1 million college-educated adults, nearly 800,000 live in New York City, arguably the highest such ratio among America's metropolitan areas. In spite of some muttering about their bags being packed, most New Yorkers still could not see themselves living anywhere else. Those New Yorkers who sooner or later flee to the suburbs would be suburb-bound even if New York were much improved. Even the most pleasant central cities such as Seattle or San Francisco lose their natural suburbanites to the dream of that semi-rural Elysium that suburbia promises but never quite delivers. Dyed-in-the-wool urbanites, however, will not trade America's only world-class city for a parking place at the mall.

Urbanity: No other city possesses New York's urbanity. Urbanity is an elusive idea, but it can be seen in New York's 45 professional theater productions running simultaneously, its 400 art galleries, its 25,000 serious restaurants, and myriad other cultural, retail, and entertainment activities that place New York a quantum leap ahead of other cities. It can be seen in the size and sophistication of its architecture, old and new, which has actually improved in the last decade; in the grandeur of its public spaces and thoroughfares, many of which have

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been recently enhanced; in the stylishness of dress and manner of its elites, which has gained added lustre from the growing army of yuppies. New York's urbanity is mirrored in its citizens' enlightened attitudes: their exceptional tolerance of social diversity, bizarre behavior, and even of the disagreeable aspects of contemporary big city life. New Yorkers also continue to be more knowing and demanding than other Americans, an irritating characteristic, no doubt, but a mark of their urbanity.

Opportunity: New York, even with a stagnant economy, continues to offer more opportunities in every sphere of urban life than any other city in the U.S. It offers more economic opportunities for the ambitious, more social opportunities for the sociable, more purchasing opportunities for its consumers, more educational opportunities for seekers of careers or knowledge, more creative opportunities for artists, performers, and writers, and more specialized services for all the individuals and businesses that need but cannot find them anywhere else.

Add up New York's pluses and minuses, and what do you get? A city typical in its share of urban problems, but unique in its attractions, a potent combination. In the end, however, to assess New York's prospects means to forecast its economic future. The question, How is New York's economy doing? must be countered with another: Compared to where? One can look at New York City's municipal economy and compare it to that of other American cities. Or one can look at New York's success in the nationwide struggle between central cities and their metropolitan suburbs. Too frequently, popular discussions of New York's prospects confuse these two contexts.

Most central cities in the U.S. are losing ground to their suburbs. Their growth is constrained, after all, by the limits of their municipal boundaries. In nearly all American cities routine jobs move to the suburbs, where there is room for workers and workplaces alike, at reasonable prices, while only those requiring the special resources of the city stay in town. In nearly all American cities the middle-aged and the middle classes flee to the suburbs while the cities retain the young, the old, the poor, and the odd.

In most large American cities, central business districts filled with new office buildings and other commercial developments are surrounded by physical and social decline. When metropolitan areas grow rapidly, their central cities grow slowly. When metro areas grow slowly, their central cities wither. Every U.S. metro area shows a widening gap between the incomes of city residents and suburbanites, and a concentration of blacks and Latinos in core cities.

Against this backdrop, New York looks quite healthy indeed. Since 1976, for example, the greater New York region has gained 2.3 million jobs, growing by 28 percent. New York City, while far from keeping pace, nevertheless gained 500,000 jobs, posting a robust growth rate of 13.5 percent. All of New York City's economic growth had to take place within its fixed 300-square-mile, densely populated, municipal domain. The suburbs, on the other hand, grew by adding hundreds of square miles of new urbanization. In the city-suburb competition New York has been doing exceedingly well.

One of the more thoughtful economic forecasters, the Regional Plan Association, thinks the city will continue to grow. According to its projections, the 24 county New York metropolitan regional economy will grow by 19 percent (or two million jobs) over the next 25 years. New York City will grow 14 percent, gaining over 570,000 new jobs, though its population is projected to increase far more slowly than the metro area's. In other words, the city's significantly larger economic base will be supporting a proportionately smaller population. The rich should get richer while the poor should more easily find jobs or gain public assistance.

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Even more remarkable is the absolute size of New York's economy and what that portends for its future. New York City has been for the past 150 years, and will probably continue to be for the next 150 years, America's premier urban economy. New York's nearly 4.2 million jobs exceed the combined total in municipal Los Angeles, Chicago, and Philadelphia (cities number 2, 3, and 5). Just the incremental gain in New York City jobs since 1976 exceeds the entire number of jobs to be found in all but six American cities.

New York's economic future lies just where it should: with the growing world information economy. Since the crash of 1987, local euphoria over New York's growing prominence as a financial center has been replaced by much handwringing. But the financial markets will recover in the natural course of the business cycle. More importantly, New York's role as a financial center is only one aspect of what is far and away the nation's most powerful information economy. Industries engaged in the processing, dispensing, or packaging of information other than financial services (advertising, law, publishing, TV and radio, management consulting, accounting, public relations, computer services, etc.) have been the fastest growing segments of New York's industrial mix. Other growing New York industry sectors, such as health services, also owe their fortunes to their information functions: The health industry has been growing not because there are more sick New Yorkers, but because New York is a world leader in health research facilities.

Some pessimists concede that New York enjoys a huge comparative advantage in information industries today, but argue that the information revolution itself will allow these industries to migrate elsewhere. New technology does make it possible to conduct business from the hinterland. On the other hand, two economic exigencies assure that the most sensitive segments of the information economy must remain or grow in New York. One is the "agglomeration" effect that weaves the various information industries into an economic web that cannot be disaggregated and that is too large to move en masse. The other is the perishability of the most sensitive kinds of information such as "insider" tips (legal or not), rarefied and rapidly shifting tastes, personal contact with the most prominent figures in a wide variety of fields, the daily immersion in a dense, diverse, and highly charged "ambience" of information.

The facts seem to speak for themselves. New York's economy has been subject to volatile swings in the business cycle since 1963. From 1963 to 1969 the city gained nearly 300,000 jobs. In the following eight years it lost over 500,000 jobs only to gain nearly all of them back by 1988. Yet throughout these vicissitudes of the business cycle, New York's information-sensitive industries grew without interruption, gaining about 600,000 jobs since 1963.

The two cities

One last variant of the down-the-tubes scenario is the "two cities" thesis. Its adherents argue that even a robust economy cannot save New York's poor, nor the rest of the city from the predations of its poor. The underclass, left out of the economic loop, will eventually sap the city's entire economic enterprise.

The two cities hypothesis rests on two mistaken assumptions. The first is that the poor have been excluded from New York's economic boom. The second is that there is an underclass-free Elysium to which New York's information industries can flee.

At 4.9 percent, New York has one of the lowest big city unemployment rates in the nation; three-quarters of the city's new jobs since 1976, many in the information sector, have gone to New York City residents. Many information jobs require relatively low skills. In any case, most of the

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predecessors of today's underclass were never well represented in manufacturing or the other components of the city's old "low-tech" economic base. The supposed "mismatch" between New York's high-tech jobs and low-tech workers is largely a myth.

The city has been shedding all along those industries that seek a middle-class suburban work force, and yet its economy has grown. The industries that remain need a large city, and many need New York. Many depend on a low-wage, unskilled work force. Moreover, the other central cities that might compete with New York for these industries would give them scant relief from the problems of the underclass.

Nevertheless, New York displays an alarming array of social pathologies that appear to threaten its future economic vitality and most certainly blight its current quality of life. These difficulties give rise to calls for the city and state governments to "do something." As a matter of fact, both the city and state already do a great deal, much of it not very helpful in resolving the city's paradox of pathology amidst plenty.

This is the city's public sector dilemma in a nutshell: New York neglects its traditional municipal responsibilities—education, police, fire, sanitation, and infrastructure—as it becomes ever more deeply involved in underwriting an inordinate level of social and health services, and subsidizing local housing, transportation, and other consumer goods. To pay for this expanded repertoire of untraditional municipal activities, the city levies the heaviest local taxes in the nation, at nearly $1,600 per capita, 60 percent greater than the burden of the next most heavily taxed major city. To make things worse, it taxes most heavily the businesses that are its economic future. New York business taxes are over three times greater, per capita, than those of Chicago and Los Angeles.

During times of rapid economic growth, the city can barely balance its outsized public expenditures with its outsized taxes. During every cyclical downturn, it faces a fiscal Armageddon, forcing it to choose among politically untenable cuts in social services and subsidies; cuts in essential housekeeping functions; and, most ultimately destructive, increases in business taxes. After each downward cyclical swing, things get worse: The neglect of traditional services imposes heavy catch-up costs, the city's open-ended social burdens remain or increase, the business climate grows ever colder.

No other American city funds anything like New York's 19-unit Health and Hospitals Corporation. No other city funds so many unreimbursed (by state or federal governments) welfare and social service programs. No other city subsidizes its public transportation system out of its own revenues at the level New York does. No other city is committed to providing shelter to every person who requests it. As for regular housing assistance, New York spends more of its own revenues on housing than all other U.S. cities combined, and according to proclamations by its present and previous Mayors, is proud of this fact.

At the same time, few cities in New York's league, here or abroad, can boast of such decrepit, pothole-ridden roads, such crumbling bridges or water and sewer mains, or such neglected, grassless parks. Nor are many cities outside the third world as dirty or as graffiti-scarred as this one. Other cities have schools as troubled as New York's, and police departments that are far more corrupt. But New York's particular tragedy is that 30 years ago the city's services were so well managed that they served as models for other cities, not object lessons in failure.

Nor have the city's untraditional priorities purchased much relief from social pathology. New York may not be much worse off than other major U.S. cities when it comes to the underclass, but it is not visibly better off. Nor can we say that without

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its extraordinary expenditures New York's social malaise would be even deeper, because many city programs, conspicuously its housing policies, clearly have made things worse.

The future of the city

New York's albatross is also an opportunity. We have made our own problems; we can unmake them. During the last fiscal crisis in 1975, the city was able to undertake an enormous public sector restructuring in just six months. It shed one of its great institutional fiscal burdens, the city university, which cost the city then about what the city hospitals cost today. It raised the subway fare. It tightened welfare eligibility. It even repealed a few of its most onerous business taxes. All of this was done under the multiple pressures embodied in imminent municipal bankruptcy, intense prodding from New York State and its governor, Hugh Carey, and conditions imposed by the Federal government in exchange for its loan guarantees.

For better or worse, New York does not today face such a clear and present threat as bankruptcy posed in 1974. Nevertheless, the city can no more successfully buck the normal exigencies of municipal government than the countries of Eastern Europe can ignore the imperatives of the modern economy. If the governments of New York City and State were to respond today with the vigor and resolution of 15 years ago, the New York City economy, which otherwise is slated to stumble along far below its potential, might actually take off.

What needs to be done? I hesitate to offer quick policy fixes. The city should aim, however, at the following:

• Reduce the tax burden on businesses in New York to the level that prevails, say, in Los Angeles (which has a per capita tax burden one-third of New York's). This might require higher residential property taxes, but should be done mainly through aggregate tax reduction.

• Shed the costliest burdens not typically borne by even the largest other American cities. This might mean giving up the fiscal support of the hospital system, eliminating the transit subsidy, or getting out of the housing development business. It might also mean operating all of New York's services more efficiently. In 1957, when New York's population was 700,000 larger than today, and when its schools educated 200,000 more youngsters, the New York-based city and state governments employed fewer than 400,000 people. Today they employ nearly 600,000.

• Deliver first-rate traditional municipal services, especially those that visibly affect the city's quality of life. That means good schools, good roads and bridges, restored sewer and water facilities, clean streets, well-maintained parks, and effective or at least visible police protection. Even during the current fiscal slump, scaling back on these activities is, economically speaking, the most stupid of policy responses.

New York is not going down the tubes. But there is a world of difference between survival and prosperity. The city's policies may cost it only 100,000 jobs today. The city's policies may only make New York look a lot worse in the eyes of its countrymen than the underlying facts warrant. The city's priorities may only make daily life unnecessarily a chore and a misery for its citizens. That New York City's mismanagement is not apt to be fatal, given its powerful economy, is not an argument for accepting mediocrity. New York today faces the stark prospects and choices of a fiscal crisis nearly as severe as the one that fifteen years ago almost precipitated its bankruptcy. But the current crisis is also an opportunity. If the city seized this opportunity to get its public sector act together, not only would it dispel the gloomy going-down-the-tubes notion, it might even permit New York to emerge once again as America's most envied city. ■

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The Hidden Cost of Housing Madness

by William Tucker

The secret of the city's fiscal crisis lies with the Schneiders. Gertrude Schneider and her late husband, Harry, a health teacher at Morris High School, were once Bronx landlords. "By the 1960s we probably owned 15 buildings with 500 units. He never made enough to quit his job, but we saw it as retirement security. He did the repairs and I dealt with the paperwork."

Another thing they had to deal with was rent control. By the mid Sixties, the Schneiders' found themselves saddled with rents that had not changed since the war, except for a one-time 15 percent increase in 1953. "We were collecting only $25 to $30 for five- and six-room apartments," recalled Mrs. Schneider.

Along with many landlords, Mrs. Schneider had high hopes for Mayor John Lindsay, who had commissioned two studies, by George Sternlieb of Rutgers, and by the Rand Corporation, both of which were highly critical of rent control. But in 1969 Lindsay extended regulations (through rent stabilization) to post-1947 housing.

The next ten years proved disastrous for the Schneiders and for New York City housing. "We had fuel prices that were rising 200 to 300 percent and there were City Council members who still insisted it was all a hoax. We couldn't pay the mortgage. The bank took one of our buildings because we owed $65,000 and eventually had to unload it for $12,000." In addition to maintaining rent control, the city and state made it much harder for landlords to collect rents or evict delinquent or destructive tenants.

In the 1970s and early 1980s the city government seized thousands of failing buildings *in rem*, that is, for back taxes. New York lost hundreds of thousands of low- and middle-income apartment units. Harry Schneider quit his teaching job to manage his properties, but could not fend off disaster. Before Harry died in 1979 the Schneiders lost all but one building.

For generations, most of New York's rental housing was managed by people like the Schneiders. Those days, of course, are over. Today, Harlem and the South Bronx echo with the whine of power saws, the thump-and-wheeze of electric nail-guns wielded, or at least funded, by the city government. The Department of Housing Preservation and Development (HPD), executor of the Mayor's 10-year, $5.1 billion Housing Program, is rebuilding New York's housing stock.

After making a whirlwind press tour with Abraham Biderman, Commissioner of HPD, Ken Auletta of the *New York Daily News* reported:

> Heading north on Adam Clayton Powell Boulevard nearly every abandoned building is already under city construction or padlocked, waiting for renovation bids. Reaching 140th St., the eye settles on seven whole blocks under construction, and Biderman explains, "We are creating a little city." . . . At this point, Biderman pulls out a black looseleaf book with a computer printout of the 5,000 vacant buildings the city controls. "We own these neighborhoods," he declares, sweeping his right arm up and down the boulevard and toward the South Bronx.

William Tucker is the author of The Excluded Americans: Homelessness and Housing Policies, *recently published by Regnery-Gateway.*

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The city is unloading these buildings, whose renovation it is largely funding, but not back to the sort of mom-and-pop landlords like the Schneiders from which they came. The buildings are being turned over to highly respected "professional" landlords, including the Milstein brothers and Sam Lefrak, and to nonprofit organizations—church groups, neighborhood preservation companies, and the like—whom the Department of Housing Preservation and Development (HPD) is setting up in the housing business.

The Schneiders' story is a sad but familiar one. Their loss is also the story, in large part, of the city's fiscal crisis. Housing policies that drove private developers and small landlords out of the rental housing market (and particularly the low end of that market) account for much of the current budget crunch, and the city government's ongoing fiscal difficulties. In order to fill the housing gap it created, the city government has become first New York's largest landlord and then its largest developer, roles that carry enormous costs in direct expenditures, tax subsidies, and other lost tax revenues.

New York City's budget deficit is estimated at $1.8 billion for 1990 and already predicted to exceed $900 million in 1991. It can be estimated with reasonable certainty that the city pays $1.1 billion each year to provide services that, in other cities, the private housing market provides for free. This is a conservative estimate. The true cost may be much higher.

The $1.1 billion includes direct expenditures to build and rehabilitate housing, tax subsidies for favored projects, and the administrative costs of running HPD, which manages city-owned housing units. No other large American city so grandly substitutes tax money and municipal management for private housing. Yet there is little evidence the New York approach has improved housing for low- to middle-income New Yorkers. The experience of other cities suggests that if New York's small private landlords had been allowed to ply their trade in an open or even reasonably regulated market, low- to middle-income housing would be easier to find, of higher quality, and no more expensive than it is today. And the city budget might be in balance.

Before analyzing in detail the costs and consequences of the city's billion dollar housing effort, it should be noted that these programs include only the city government's extraordinary housing efforts, those without an analogue in most other large American cities. Quite aside from these extraordinary efforts, New York now has the country's largest inventory of ordinary public housing. This housing, built mostly with federal money, costs the city relatively little to operate. New York's inventory of regular public housing is not only four times as large as the next largest inventory (in Chicago), but larger than the next 10 cities combined. (See Table 1.) On a per capita basis, New York ranks seventh in the nation, with 24.9 units per thousand people. Chicago, by contrast, has only 13 public housing units per thousand, and Los Angeles a mere 2.8. The city government's extraordinary housing expenditures cannot be blamed on federal neglect.

TABLE 1

City	Units
New York	179,000
Chicago	39,000
Philadelphia	23,000
Baltimore	17,000
Atlanta	15,000
New Orleans	14,000
Miami	14,000
Boston	13,000
Newark	13,000
Cleveland	12,000
Detroit	11,000
Subtotal: Chicago thru Detroit	**171,000**

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To add up the costs of the city's housing policies, a good place to start is with the Mayor's program. This 10-year, $5.1 billion enterprise is a perfect symbol of government housing policy in New York. It is, for the most part, a response to the abandonment and deterioration of once privately run housing. The number of new units to be constructed is relatively small. Most of the money will be spent rehabilitating units from the city government's accumulation of formerly private properties. The 10-year plan looks like this:

Rebuilding of Vacant City-Owned Buildings
47,000 units
- Permanent Housing for the Homeless
15,000 units
- Low- and Moderate-Income Families
32,000 units
($2.4 billion)

Rehabilitation of Occupied City-Owned Buildings
82,000 units
- Buildings Currently in City Ownership
50,000 units
- Buildings Projected to Come into City Ownership
32,000 units
($1.3 billion)

Rehabilitation of Privately Owned Buildings ($600 million)
86,000 units

Construction of Affordable New Homes ($500 million)
28,000 units

Construction of Affordable New Multi-Family Buildings ($300 million)
9,000 units

Total Program ($5.1 billion)
252,000 units

About half of the $5.1 billion is financed directly by the city government, with the rest coming from federal, state, and private sources. The city's share will be borrowed through the sale of city bonds. The annual drain of the debt service to the treasury will be roughly $300 to $400 million over roughly 20 years. Largely as a result of the Mayor's program, HPD's 1990 capital budget of over $1 billion is now the second largest among city agencies, surpassed only by the school system. (See Table 2.)

TABLE 2
Capital Appropriations for Fiscal Year 1990

Department	Amount
Education	$4,300,000,000
Housing Preservation and Development	1,059,000,000
Water Pollution Control	460,000,000
Sanitation	378,000,000
Human Resources	344,000,000
Highways	343,000,000
Correction	329,000,000
Health and Hospitals Corporation	257,000,000
Parks	220,000,000
Water Supply	202,000,000
Sewers	163,000,000
Water Mains	161,000,000

City officials, beginning with Edward Koch, have often tried to disguise this expenditure by arguing that some of it will be covered by "profits" from the development of Battery Park City. Yet these "profits" (which are actually rents derived from municipal ownership of the land) could just as easily be put into the general fund and used to reduce taxes or pay for other programs. (In fact, Mayor Dinkins has already considered doing that as the budget problems have worsened.)

Because of the generous exemptions given to both the nonprofit and profit-making landlords who will build or rehab, own and run them, the 215,000 apartment units

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in the program will not yield property taxes for nearly 20 years and then will not be fully assessed for another 12 years. The remaining 37,000 single-family homes will receive partial abatements for 10 years.

This gargantuan public-works effort is half the size of the MX missile program. Yet it represents only a portion of the city government's housing efforts, which easily exceed those of most of the other major American cities put together.

New York City is the principal participant in New York State's Mitchell-Lama program intended for moderate- to middle-income housing. Of 165,000 Mitchell-Lama units built in New York State, 135,000 are in New York City.

Mitchell-Lama units are subsidized in two ways. First, builders receive long-term low-interest loans, usually from the New York State Housing Finance Agency or the State Urban Development Corporation. (Over 60,000 units in New York City were also built with municipal loans.) Second, Mitchell-Lama units get an abatement on municipal property taxes, usually between 80 and 90 percent. Eligibility requirements for tenants vary according to a complicated formula. There are welfare recipients as well as people making more than $100,000 a year. The median Mitchell-Lama tenant has an income of $25,000. The median household income in New York City is approximately $23,000.

In 1986, the Citizens Budget Commission estimated that the cost in foregone property taxes for Mitchell-Lama units amounted to $188 million per year. By 1988, the Mayor's office placed the figure at $264 million. Designed to keep the middle class in the city, the Mitchell-Lama program has done so only by exempting middle-class residents from property taxes.

In addition to Mitchell-Lama are the 421a, 421b, and J-51 programs. The state 421a and 421b programs encourage new construction by giving builders 10-year partial tax exemptions. The 421a program applies to newly constructed multiple-dwelling units, and the 421b program applies to new one- and two-family homes. Most 421a buildings are brand-new luxury apartment houses such as the Bristol and the Greenthal on the Upper East Side. In 1986, the Citizens Budget Commission estimated that tax expenditures for 421a and 421b totaled $83 million. In 1988, the Mayor's office put the figure at $80 million.

J-51 is a city program that allows an owner to deduct up to 90 percent of the cost of making permanent improvements to a property. On a major renovation, the exemption will probably wipe out property taxes for 20 years. There is also a J-51 maximum program, which permits the property to be brought onto the tax rolls for 12 more years at the pre-renovation assessment. Most early J-51s were in midtown Manhattan, contributing significantly to its gentrification in the 1970s. Since 1982, J-51s have been restricted to upper Manhattan and the outer boroughs. In 1986, the Citizens Budget Commission estimated J-51 tax exemptions cost the city $136 million per year. In 1988, the Mayor's office estimated the figure to be exactly the same.

Thus tax subsidies to largely *middle-* and *upper*-income tenants through the Mitchell-Lama, 421a and -b, and J-51 programs total well over $480 million a year. Still there is more.

In almost every other city in the country, the "housing department" refers to the public housing authority. New York has one too. But it also has the Department of Housing Preservation and Development, HPD, which acquires, manages, repairs, and disposes of tens of thousands of residential properties including those in the Mayor's 10-year program. No other city has such a second housing authority. A few cities have now set up small housing depart-

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ments to administer federal block grants, but none is on the same order of magnitude as HPD. Chicago's housing department costs the city treasury $3 million annually; Los Angeles's costs $9 million. Boston, Detroit, and San Francisco do not have housing departments.

HPD, on the other hand, has an annual budget of $520 million. This makes it about one-third the size of the police department and roughly comparable to the fire and sanitation departments. (See Table 3.) The police department puts 26,000 uniformed officers on the streets. The fire and sanitation departments employ 12,000 and 8,000 uniformed officers respectively. HPD, on the other hand, fields only 500 building inspectors.

Nearly all of HPD's efforts go to handling residential properties once held by private owners. HPD's Office of Property Management (OPM), which does most of the managing, owning, and occasional rehabilitating, employs 2,100 people, more than the Department of Transportation has to engineer and maintain the city's entire street and bridge infrastructure. OPM's budget of $60 million exceeds the entire appropriation for the New York Public Library.

TABLE 3

City Agency	Final 1989 Expenditures
Police Department	$1,509,000,000
Debt Service	1,295,000,000
Health and Hospitals Corp.	887,000,000
Fire Department	648,000,000
Department of Correction	591,000,000
Sanitation Department	585,000,000
MAC Debt Financing	541,000,000
Department of Housing Preservation & Development	**520,000,000**
City University	462,000,000
Department of Transportation	425,000,000
Department of Environmental Protection	396,000,000
Department of Health	252,000,000

Of HPD's $520 million budget, $123 million comes out of municipal tax revenues. In 1989, $92 million came from rents collected from tenants, both residential and commercial, in city-owned buildings. Another $182 million came from the Federal Department of Housing and Urban Development's Community Development Block Grant (CDBG). This $182 million must be counted as a cost to the citizens of New York: In other cities, block grants are used to build parks, playgrounds, and similar municipal facilities. In New York City, HPD uses the entire $182 million to operate occupied housing that has been taken for back taxes.

The reason other cities can spend their CDBG monies on parks and playgrounds is that, outside of the federally sponsored public housing stock, no other city in the country owns more than a handful of occupied apartments. Most cities hold tax auctions, turning abandoned properties over to other private owners. Some cities refuse to take *in rem* properties altogether. Chicago, Los Angeles, Baltimore, and Houston have no *in rem* properties at all. Philadelphia has accumulated about 8,000 buildings, but they are all vacant one- and two-family homes in deteriorating neighborhoods that the city cannot sell at any price. Boston takes a few *in rem* properties but quickly cycles them back into private ownership. In New York, on the other hand, the city government's vast collection of occupied, *in rem* housing constitutes 2.5 percent of the rental housing stock, making HPD New York's largest landlord (Sam LeFrak owns only 2 percent). When HPD's unoccupied stock and the Housing Authority's public housing are added, the city government controls 16 percent of the rental market.

Thus New York City government's extraordinary intervention in the housing market costs the city treasury over $1 billion. The city government's

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annual debt payments for the Mayor's program ($350 million), tax expenditures and subsidies for the Mitchell-Lama, J-51, and 421a- and -b programs ($480 million), and the city's share of HPD's operating budget ($123 million) add up to over $950 million in annual direct expenditures. Adding the $180 million in federal CDBG money diverted to municipal housing efforts produces a reasonably "hard" estimate of more than $1.1 billion.

The real cost is probably higher. For instance, the city government spends $128 million on temporary shelter for the homeless. This number is way out of line with expenditures in other cities because of New York's widespread use of hotel rooms as shelters. Some of that $128 million should be added to our total of extraordinary costs, but it is difficult to say how much.

In addition, the $1.1 billion total does not include any estimate of tax revenues lost on the 215,000 units that, under the Mayor's program, will be effectively removed from the city's tax rolls for a generation. Nor does it include an estimate for tax revenues lost on the tens of thousands of additional units, outside the Mayor's program, that will be granted J-51 exemptions (of varying amounts) in the next few years. Nor does it include lost tax revenues from thousands of abandoned buildings that were never rehabbed, many of which were demolished.

Still, to show that a program is expensive is not the same as showing that it is wasteful or unnecessary. The city government's extraordinary expenditures for housing must be counted as waste because the city (and state) governments' housing policies themselves crippled the private low- to middle-income rental housing market and created the vacuum these expenditures are meant to fill.

This is not the place for an exhaustive review of the literature on rent control, or the evidence, which has mounted inexorably over the years, that rent control and its attendant regulations are largely responsible for the general tightness of the New York rental housing market. The economic profession is all but unanimous on the subject. Nearly all of those few studies that yield ambiguous results on the effects of rent control have focused on cities whose rent regulations are both younger and far less stringent than New York's. (For an excellent and concise review of the scholarly evidence see *Residential Rent Control: An Evaluation*, by Brookings Institution scholar Anthony Downs, published by the Urban Land Institute, Washington, D.C., 1988).

Within HPD, the prevailing view has long been that immigrants, widows, and mom-and-pop operators are too incompetent to handle New York's housing

The condition of the national housing market strongly suggests that New York's housing problems are self-inflicted. Rental vacancy rates throughout the country are now at 7.5 percent, the highest since 1964. In New York, on the other hand, vacancy rates have not been above 3 percent since the late 1960s. There is no "housing shortage" anywhere except New York and those few other cities such as Boston, Newark, Washington, San Francisco, and Los Angeles that have also adopted rent control.

Rent control discourages new construction. Thus, private developers in New York put up only about 10,000 new housing units a year, fewer than are built in Dallas, which has one-seventh the population of New York and vacancy rates of over 12 per-

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cent. In fact, in many parts of the country, landlords and developers consider their biggest problem to be a *surplus* of housing.

"The problem we have out here is these big pension funds and insurance companies who come in here to build new housing," complains Mark Sween, president of the Minnesota Multi-Housing Association. "These people can't even think in terms of less than $30 million. They build big new complexes of 300 to 500 units that just sit there half vacant for a few years, and drive up vacancies for everyone else who can't afford it."

Vacancies in the Minneapolis area are running so high that landlords have begun "raiding" each other's buildings, leafleting tenants with promises of rent reductions or several months free rent if they break their leases and move to another owner's building. Houston, Dallas, Phoenix, New Orleans, and Denver all have similarly saturated markets. Complained Neil Fjellestad, president of the San Diego Apartment Association, "There's nothing worse than a big pot of money floating around the country looking for real-estate investment."

The last time a major insurance company built housing in New York, however, was when Metropolitan Life constructed Stuyvesant Town and Peter Cooper Village in 1947 (both begun before rent control). Both projects are now rent stabilized, and Met Life officials say they will never again invest in New York as long as there are rent regulations.

Even more important than the effect rent controls have had in discouraging new construction has been their impact on small landlords. Yet these are the very people who provide most of New York's rental housing. The median New York landlord owns only 14 units, or one small building. With generally undiversified holdings, slim profit margins, and far smaller cash reserves than the big established real-estate groups, small landlords have been much harder hit by rent controls. They cannot afford to wait years for vacancies (which permit slight upward adjustments in the rent) or to warehouse units in hopes of taking them co-op. The procedural complications of rent control—the extensive tenant-protection provisions, the loss of tenant selection, the difficulty of evicting people who do not pay rent—also weigh more heavily on small landlords. A single tenant who refuses to pay rent or bothers other tenants, and successfully fights eviction through labyrinthian court procedures can throw a building's entire financial structure into chaos.

Finally, small landlords are often overwhelmed by the paperwork requirements of rent control. The rent regulations, for instance, include hardship provisions allowing special rent increases to financially pressed owners. But the application process is enormously complex, with the instructions alone running 14 densely printed pages. In five years of interviewing landlords around New York City, I have only met two firms that successfully obtained hardship rent increases: the Church Management Corporation and the Lefrak Corporation. Both had their applications prepared by staff accountants. The Lefrak organization's application consisted of 87 pages of closely documented financial information. Both of these applications were approved before the State Division of Housing and Community Renewal took over the process in 1984. Since that time, DHCR has approved only five hardship applications.

Within HPD, the prevailing view has long been that the marginal investors—immigrants, widows, and mom-and-pop operators—are too incompetent to handle New York's housing. Harold Schultz, deputy general counsel for HPD's Office of Property Management, expressed this perfectly in an interview in 1986. "If New York's landlords are in trouble," he said, "it's their own fault.

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Rent regulations have little or nothing to do with it. There are a lot of owners who don't know what they're doing. They can't even add or subtract. Dealing with regulations is just part of being a landlord."

The outcome of this attitude has been an inexorable transfer of hundreds of millions of dollars in real estate from New York City's small landlords to HPD and its favored associates and developers.

First established in 1971 as the "Housing Development Administration" under the Lindsay Administration, the housing agency (which became "HPD" in 1977) was charged with coordinating the city government's burgeoning housing programs. At the time, thousands of residential properties were in arrears in their property taxes. Almost half the property taxes in the decaying South Bronx were uncollected. (The city's inability to collect a large portion of its property taxes was considered one of the main reasons for its financial collapse in the 1970s.) To improve tax collection, the city government began accelerating the procedure by which buildings were taken *in rem*.

The underlying assumption of the program was that landlords could pay the taxes, but declined to do so as part of a deliberate strategy of "milking" buildings—taking out rents while skipping mortgage and tax payments in preparation for abandonment. As it turned out, this assumption was wrong. Most landlords were behind in taxes because they were not making any money. Instead of collecting property taxes, HPD began to collect apartment buildings.

The abandonment of residential property in New York during the 1970s has become legendary. Between 1974 and 1984, New York lost 300,000 apartment units. Some of this housing was eventually leveled—creating the moonscapes of the South Bronx and Bedford Stuyvesant—but much of it ended up in the hands of HPD. By 1984, HPD held title to 8,000 buildings containing 108,000 apartments—62,000 occupied and 46,000 vacant.

Though HPD's original intent had not been to acquire buildings, the agency clearly came to relish the role. Policy shifted from passive acceptance to active acquisition of small properties. Perhaps the best place to witness this transformation is in the department's 7a administration program and in HPD's active funding of the "neighborhood preservation companies."

The 7a program is named after article 7a of the Real Property Actions and Procedures Law of 1965. As originally conceived, 7a was a program by which respectable members of the community—lawyers, accountants, and licensed realtors—would be given trust of buildings whose owners had proved incapable of handling them. At the request of a portion of the tenants, or on initiative from HPD, a housing court judge could appoint an administrator as trustee of the building's finances.

The administrator was empowered to collect rents from the tenants. However, he was not obligated to pay mortgage installments, insurance premiums, or property taxes—items that normally account for 60 to 80 percent of a landlord's expenses. These remained the responsibility of the owner. The administrator, on the other hand, was supposed to use all the rent monies to operate, repair, and improve the building. Even so, 7a administrators often could not run the building from the rent rolls, so HPD allowed them to raise the rents—called "restructuring"—a form of relief entirely forbidden to landlords. Thus, in what would become a basic pattern of city housing policy, HPD began taking buildings from landlords who, because of rent regulations, did not have enough cash flow to run them, and then turning them over to city-favored surrogate landlords—after ensuring that the surrogates would have resources the real landlords were denied.

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Despite these advantages, the 7a program has not turned out as planned. In the early years, the law was little invoked because of the difficulty of recruiting lawyers, accountants, and other professionals to the task. With the founding of HPD in 1971, the 7a program was dusted off and put into wide use. In 1977, at the request of HPD, the state legislature dropped the professional requirements so that virtually anyone could become a 7a administrator.

In practice, appointments quickly fell to tenant activists, community-organization leaders, and friends of housing court judges. Several judges have kept a stable of regular 7a administrators, who handle several buildings at a time. At least one, Judge Ralph Waldo Sparks, became the center of a scandal involving his 7a administrators.

In 1983, rumors of corruption became so common that the 7a program was investigated by the City Department of Investigation (DOI). The resulting report, entitled "An Analysis of Corruption Vulnerabilities in New York City's 7a Administration Program," found 7a administrators were virtually unsupervised, with hundreds of thousands of dollars disappearing from rent collections. Among 249 monthly reports filed by administrators in 23 buildings, DOI found only one-quarter even contained bank statements. In the nine buildings where consecutive bank statements were available, 52 percent of the money collected in rents had disappeared. "We noted completely irrelevant items, such as tickets to a dinner dance, being charged to the building. Furthermore, we observed duplicate invoices, payments to non-existent vendors and contractors, and fraudulent documents." The DOI concluded, "There is no governmental unit that functions effectively to hold 7a administrators accountable for their management of buildings and proper use of rental income."

The neighborhood preservation companies have become the shock troops in HPD's efforts to take buildings away from private owners

Most landlords with buildings in 7a never get them back, in part because without rent revenues they quickly fall behind on mortgage and tax payments. The 7a law has turned out to be not an emergency maintenance program but a major weapon by which HPD acquires buildings. As an HPD response to the Department of Investigation's corruption charges put it, "The primary objective of 7a [is that] a building that would otherwise have been abandoned and emptied was, in fact, stabilized and survived to *in rem* vesting."

Housing Court, established at the same time as HPD, has also been an important mechanism for transferring properties from small landlords to the city and its surrogates. The court adjudicates landlord-tenant disputes under a set of rules profoundly biased against landlords. Under New York law, for instance, even minor violations of the housing code can justify a rent strike. New York's housing law is also full of technical provisions that can be used by an artful legal aid lawyer to delay evictions or support rent actions. Delay is endemic to any legal system, but devastating to small, cash-short landlords who may be vindicated only after they are bankrupt. The city's surrogate landlords, however, do fairly well in housing court, often obtaining evictions of troublesome or non-paying tenants who had been allowed to abuse their private landlords for months or years.

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Pushing small landlords into court, or into 7a, is a task frequently performed by "Neighborhood Preservation Companies," or NPCs. The NPCs are private, nonprofit, tenant- and community-activist groups that get 90 percent of their funding from city, state, and federal agencies. (HPD, for example, contributes $18 million a year under a line item called "community consultant contracts.") Their activities are closely intertwined with HPD's efforts. *Village Voice* reporter Wayne Barrett, himself a former tenant activist, says, "The neighborhood preservation companies are basically the branch offices of HPD."

In theory, the NPCs are supposed to improve neighborhood housing through community organization. In practice the NPCs have become the shock troops in HPD's efforts to take buildings away from private owners. NPCs routinely scout vulnerable buildings, organize the tenants, apply for 7a administration, have their own members selected as administrators, manage the buildings (often providing housing for their members and affiliates in the process), and frequently end up owning them. Particularly active groups may manage as many as 20 buildings at a time.

In the city's tradition of favoring surrogate landlords over their small time predecessors, NPCs get substantial subsidies for individual buildings. Scores of buildings are now being transferred to the NPCs at little or no cost and renovated with government funds. HPD has set up a "Community Management Program" to facilitate such transfers.

Half the money in the Mayor's $5.1 billion program is going to more than 40 NPCs and similar nonprofit organizations. The Cooper Square Committee, for example, an NPC on the Lower East Side, has been given $15 million to renovate 975 apartments. The Northwest Bronx Community Coalition, which operates under six separate nonprofit corporations, is managing 2,000 apartments. As *The New York Times* put it, the NPCs "are being transformed from tenant-rights advocates, community organizers, and thorns in the sides of city officials, into builders, property managers, and landlords in New York City's poor neighborhoods."

Thus, for years New York housing policy has been driven by three ideas: First, that no one can build new housing in New York without government subsidies. Second, that the traditional small landlords are too venal or incompetent to provide housing for low- and moderate-income groups. And third, that the only people capable of solving these two problems are the developers and nonprofit groups that are handpicked by the city government. Established developers, in the city government's view, can cross-subsidize low-income tenants by building mixed developments that include higher-income tenants; nonprofits can keep rents low, the city assumes, because they do not have to make a profit.

It is quite clear, however, that none of these assumptions is correct.

With housing booming nearly everywhere else, it is obvious that it is largely the specter of rent regulations that keeps private housing investment out of New York (although zoning battles, anti-development campaigns, and preservationist impulses also play a part).

Second, the pattern of small ownership that predominates in New York is no different from the traditional pattern of rental-housing ownership throughout the country. Although it is not widely recognized, rental ownership is the most widely practiced small business in America. There are six million landlords in the United States, one out of every 40 Americans. The median owner has five units.

Landlords, particularly small ones, have generally been drawn from the ranks

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of the undereducated. In particular, landlording has always appealed to immigrants, who were often unable to cope with the language or did not have licensing or professional credentials for other businesses. Many people have also entered the profession through the building trades.

How do landlords with little education and no economies of scale compete for their share of the market? The answer is simple. Traditional landlords keep costs down by routinely doing their own operation and maintenance work without charging for their time. They keep the books, collect rents, take out the garbage, handle legal and procedural matters, and often act as their own superintendents. This gives them an edge over larger professionals, who must hire accountants, attorneys, and resident managers to do their work for them.

In addition, these amateur investors do not always seek professional levels of profit. A small landlord will often pay himself by giving himself or a close relative a free apartment. Another pattern is for an owner to "carry" a building on only minimal profits, often supporting it with income from another job, in anticipation of the day 20 years hence when the mortgage is paid off and the rents will provide a tidy retirement income.

Anthony Downs, the well-known housing expert with the Brookings Institution, summed up this pattern of ownership in his book, *Rental Housing in the 1980s* (1984):

> Many large-scale real-estate investors avoid residential properties, primarily because the high tenant turnover . . . raises management costs . . . compared to [commercial] real estate. But small-scale investors who manage their own properties rarely take full account of the cost of their time. So they have lower management costs. . . . That often leads small-scale operators to charge lower rents than those needed by large-scale operators to earn yields competitive with alternative investments.

The new landlords will survive because they will be receiving all kinds of government grants, "rent restructurings," and tax exemptions to help them stay in business

Undoubtedly, this pattern of small ownership is what has made rents in New York so eminently affordable—despite all impressions to the contrary. Michael A. Stegman's 1987 *Housing and Vacancy Report*, published by the city, found that the median New York City tenant has an income of $16,000, while the median contract rent (excluding utilities) is $348 a month. Thus, the median tenant pays only 26 percent of his income in rent, a figure that has always been regarded as an acceptable proportion.

Finally, there is no reason to believe that the politically favored operators and nonprofits who are replacing the small landlords, at great cost to the city's taxpayers, are going to do any better. The new landlords will survive (if they do) not because they are more competent or efficient, but because they will be receiving all kinds of government grants, subsidies, "rent restructurings," and tax exemptions to help them stay in business.

Under the Mayor's $5.1 billion program, the new owners will be paying only a few hundred dollars for their buildings, since the buildings have already been confiscated by the city government. As Catie Marshall, former deputy commissioner for public affairs at HPD and now with the Mayor's office, puts it: "The main reason the

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nonprofits' rents will be lower is because they won't be making any mortgage payments." Second, they will not have to pay for rehab costs—that is what most of the $5 billion will be spent on. Both the profit-making and nonprofit landlords are being granted J-51 maximum exemptions, which in many cases will keep them from paying full property taxes for the next 32 years.

The 215,000 units thus removed from the tax rolls could house the entire city of Buffalo. In fact, the rush to get off the property-tax rolls is turning into a stampede. When public housing, Mitchell-Lamas, current 4-21 and J-51 exemptions and abatements, plus the new exemptions and abatements from the Mayor's program are added together, one out of five residential properties in New York City will not be paying full property taxes. In addition, with no statutory limitation on the number of new J-51s, 80,000 more residential units are receiving at least partial tax abatements each year. At that rate, by the mid 1990s, 40 percent of the households in New York (one million units) will be partially or totally exempted from property taxes. The housing solutions of today are only creating the budget crises of tomorrow.

Is there any alternative to this ruinous system? There certainly is. New York should phase out rent regulation as quickly as possible.

How could this be done in such a politically charged atmosphere? One intriguing suggestion has been made by Arthur Zabarkes, former principal planner with Mayor Lindsay's Office for Midtown Planning and Development. Zabarkes suggests that rent control should be repealed on a borough-by-borough basis over a three- to five-year period. In the initial years, regulations would be removed in the outer boroughs, where they have less impact anyway. The minimal effects there would diffuse public anxieties and also give builders and renovators enough confidence to start creating new housing. By the time deregulation reached Manhattan's pricier neighborhoods—the Upper East and West Sides and Greenwich Village, where they are having the most effect—the floor of new housing investment would make the transition go smoothly.

"There's an apocalyptic mentality that says if you get rid of rent regulations, there would be complete chaos in the city's housing markets," said Zabarkes. "This just is not true. People are on different lease schedules and everyone is being affected differently. Most people in regulated apartments wouldn't pay much more anyway because they already have rents at or near the market. Others would pay more, but these would tend to be the people who could afford it—affluent people who are now receiving the biggest share of benefits from rent control. There would probably be some juggling of apartments as people switched to things they could afford, or to apartments more appropriate to their needs, but the overall effect would not be mass evictions or mass dislocation."

By the time the process was through, New York would have a normal housing market and the city government would not have to spend billions trying to make up for lost private investment.

With New York's economy sagging and housing prices falling for the first time since World War II, there could hardly be a more opportune moment to put such a plan into effect. It would solve the city's budget crisis and create a normal housing market at one stroke. The "deregulation dividend" might even leave enough money for parks, playgrounds, police, schools, bridges, health care, and all the other things upon which normal cities spend their tax money.

The current policy, on the other hand, not only makes the housing market hazardous for both tenants and landlords. It is also leading New York down the road to municipal bankruptcy. ■

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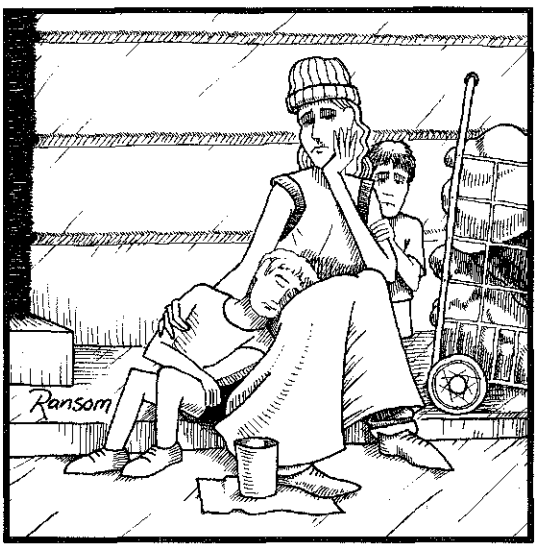
What Really Causes Family Homelessness?

by Randall K. Filer

Too many New Yorkers their daily, depressing, and sometimes infuriating contact with the homeless in the city's public places suggests a problem of crisis proportions. In fact, New York's particular homeless crisis is not found among the mostly single men who live on the street. Such people are actually less common here than in other U.S. cities.



Where New York stands alone is in the extent of homelessness among families, which is more than twice as common here as in most other large cities. That is a disturbing figure. Even more disturbing is evidence that the city's homeless policies have caused much of the problem by creating powerful incentives for poor families to become homeless.

This is not the usual explanation for New York's exceptional rate of family homelessness, or for its steady increase throughout most of the 1980s. Two plausible explanations are commonly advanced. First, New York's reportedly tight and expensive housing market may push more families into homelessness. Second, a greater than average fraction of New York residents may have characteristics (such as poverty or being single heads of households) that increase the risk of becoming homeless. A close look at the evidence, however, suggests that these oft-cited factors explain but a small portion of New York's problem.

The search for an explanation starts with comparing New York City to 20 other cities for which reliable data on rates of homelessness are available.[1] The key is to compare these cities to New York not only with respect to homelessness, but also with respect to the factors generally advanced to explain New York's high homelessness rate: housing availability and affordability, poverty rates, and prevalence of single heads of families.

The homeless in New York

The data show that there were approximately 1.4 homeless single adults in New York City for every 1,000 residents in 1984, compared to an average of 3.25 per 1,000 in the other 20 cities. In other words, the rate of homelessness among singles in New York is only about one-third that in the other cities.

For homeless families, the situation is almost exactly the reverse. There are 2.67 homeless members of families in New York

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City for every 1,000 residents, compared to an average of only 1.15 homeless family members per 1,000 residents in the other cities. Since homeless families in both New York and other cities have between 3 and 3.5 members, the same relationship holds for homeless families as for homeless members of families.

In many ways homeless families in New York are similar to homeless families in other cities. They overwhelmingly consist of single women and their children. Between half and two-thirds of these women have not graduated from high school and few have any attachment to the labor market. Homeless families in New York, however, do have substantially larger monthly cash incomes than their counterparts in other cities: $422 versus $238, according to a 1988 survey by the Urban Institute. In large part, this is because New York's homeless families are more likely to receive welfare payments. Eighty-six percent of New York's homeless families were receiving food stamps, compared to only 31 percent of homeless families in other cities. Sixty-five percent were receiving General Assistance (GA) welfare payments, as opposed to 16 percent elsewhere, while 38 percent of homeless families in New York were getting income from Aid to Families with Dependent Children (AFDC), compared with 31 percent in other cities. That more of New York's homeless families receive welfare benefits suggests that they are more representative of the general low-income population than homeless families in other cities who may have fallen through the cracks of the social support system.

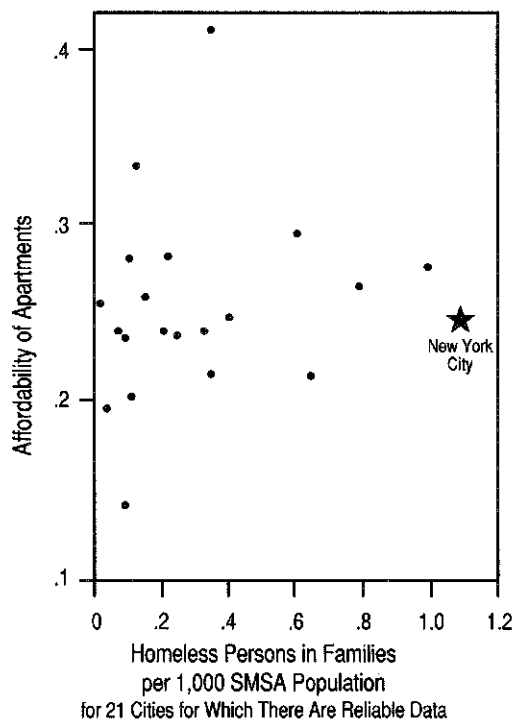
New York's housing market

To see if New York's tight housing market is the cause of its unusually high rate of family homelessness, the affordability and availability of apartments in New York can be compared to the situation in other cities. Further evidence can be obtained by comparing changes in family homelessness to changes in the housing market.

Whether housing is affordable depends on the relationship between housing costs and incomes. It matters little if rents in a given city are high if incomes are also high there. To determine the affordability of housing for the potentially homeless, rents at the low end of the market should be compared with the welfare benefits that provide most of the income of potentially homeless families. (In the Urban Institute survey, fewer than three percent of the heads of homeless families in New York had any recent labor income.)

Figure 1 shows the relationship between apartment affordability for the poor (the ratio of rents for apartments at the 10th percentile of the rent distribution[2] to the maximum AFDC benefits plus food stamps

FIGURE 1
Extent of Family Homelessness Related to Apartment Affordability*



*Affordability = 10th Percentile of Rent Distribution / Maximum AFDC + Food Stamps for Family of Three

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for a family of three) and the extent of family homelessness[3] in the cities for which we have data. The results are the same if any point in the lower tail of the rent distribution is used. It is clear in Figure 1 that there is no relationship between housing affordability and family homelessness.

Strikingly, housing is no less affordable for poor New Yorkers than for poor people in the country as a whole. In both New York and elsewhere it would cost a poor family of three about a quarter of their income to rent an apartment at the 10th percentile of the rent distribution.

It would not matter, however, whether average rents were affordable in a city if no low-rent apartments were available. Average rents could be lowered by inexpensive occupied apartments while most vacancies occurred in expensive units. Thus, a better indicator of affordability is the price of vacant apartments. When the affordability analysis is repeated using rents at the 10th percentile of *vacant* apartments, housing in New York turns out to be even more affordable for the very poor than in other cities. In 1984, a family of three with no earned income would have paid 24 percent of its AFDC and food stamp benefits to rent an apartment at the 10th percentile of vacant units in New York, compared to an average of 28 percent of its income for such an apartment in the other 20 cities.

Finally, we must ask whether the problem with housing markets in New York is the sheer availability of apartments rather than their affordability. After all, the overall vacancy rate for New York City is about half that for the other cities in our sample (3.2 percent versus 6.1 percent). The same relationship holds in low-cost housing units, with 3.4 percent of apartments below the 10th percentile of the rent distribution vacant in New York, according to the 1980 census, compared with an average of 6.2 percent elsewhere.

Vacancy rates alone, however, are not particularly informative.[4] What matters is the number of low-cost vacant apartments relative to the number of people searching for such an apartment. The ratio of homeless families to low-cost vacant units is in fact higher in New York than in the other cities for which we have data. There are slightly over five vacant apartments at or below the 10th percentile of the rent distribution for every homeless family in the other cities versus fewer than one and a half such units in New York.

It is important, however, to untangle cause from effect. If there are an unusually high number of homeless families in New York for reasons other than the housing market, this would create a low ratio of available units to homeless families. To isolate the effects of housing availability on homelessness, it is more appropriate to compare the number of low-rent vacant units to the number of homeless families New York would have if it had the same rate of homelessness as other cities.

If New York's homelessness rate were the same as in the other cities, there would be 4.91 vacant apartments at rents lower than the 10th percentile for every homeless family in New York compared with 5.04 such vacant apartments elsewhere. This tiny difference cannot have created the massive difference between the number of homeless families in New York and other cities.

Other evidence points to the same conclusion. When poor families cannot find apartments, they often share housing with friends and relatives. Indeed, the vast majority of families entering the homeless shelter system come from shared housing. If the rental market were tougher for poor families in New York than in other cities, there should be more doubling up among the poor here. Once again, however, the difference between New York and the other cities is minimal. In the 1980 census, 8.1 percent of New York households in which

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the head of the household's income was below the poverty level included more than one nuclear family. In the other cities to which we have been comparing New York, 7.5 percent of such households were doubled up. Results are similar for female-headed households. Twenty-five percent of these households contained more than one nuclear family in New York, only 1 percent more than the 24 percent doubled up elsewhere. Housing is difficult for the poor everywhere, but no more so in New York than in other cities.

Finally, if a shortage of low-cost housing is responsible for the high rate of family homelessness in New York, there should be a relationship between fluctuations in the housing market and fluctuations in the number of homeless families. Such a relationship does not exist.

Figure 2 shows the average number of homeless families sheltered by the City of New York each month from January 1983 through March 1990. One does not need a course in statistics to see the pattern. The number rose at a steady rate through the middle of 1987, when slightly over 5,000 families were being sheltered by the city, then leveled off for a year before beginning to fall. By the beginning of 1990 the number of families sheltered by the city may have stabilized at about 3,800.

Two time periods are especially telling. The number of homeless families in New York increased steadily from 1983 through mid 1987. Yet in January of 1984 the shelter allowance provided AFDC recipients was increased by 25 percent. If housing affordability were a major contributor to homelessness, one would expect a change in the trend line in Figure 2 after poor families received this increase in purchasing power. Instead homelessness among families continued to rise at the same rate.

In early 1987 this trend was reversed. The number of homeless families in New York declined through 1988 and early 1989. Nothing happened to rents or welfare payments in early 1987, however, to significantly change the housing market for poor families.

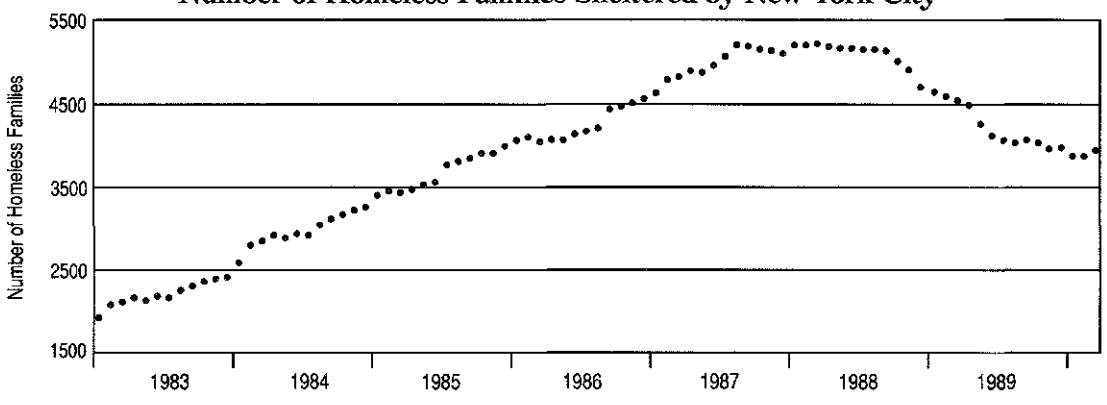
New York's poor

If housing markets do not explain either the level of or trends in homelessness among families in New York, what about the second commonly advanced explanation? Does New York simply have more families with characteristics that put them at risk of becoming homeless?

Two major, related contributors to homelessness are poverty and female-headed families. Both of these are somewhat more common in New York than in our comparison cities. In the 1980 census,

FIGURE 2

Number of Homeless Families Sheltered by New York City



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20.1 percent of New York households were headed by women as opposed to 15.5 percent in the other cities. There was a similar difference in the incidence of poverty, with 16.3 percent of household heads in New York reporting cash incomes below the poverty level, compared to 11.1 percent elsewhere. This 30 to 50 percent higher proportion of families at risk can explain only a small portion of New York's 250 percent greater rate of family homelessness.

Family characteristics also fail to explain the changes in the number of homeless families over time. There is no evidence that poverty or female-headed households became vastly more common in New York between 1983 and 1987, or less common following 1987.

New York's policies

It is time to examine the third possibility. Perhaps the major cause of New York's unique homelessness problem is New York's housing and homeless policies. These policies favor the homeless over the housed poor in a number of ways and are significantly more generous towards the homeless than those in other cities. Since more poor families can improve their lot by becoming homeless in New York than in other cities, it should not be surprising that there is a higher rate of homelessness among families in New York.

For families in New York, "homelessness" does not mean living on the street or in the subway. There are, in recent years, virtually no recorded instances of families living in public places. It would be surprising to find many unsheltered families in New York because the city has a legal obligation to shelter any individual or family who claims to be homeless and requests such shelter. This requirement has resulted from a number of court rulings and consent decrees, culminating in the case of *McLain* v. *Koch* in 1986. The city fulfills its obligation to provide shelter by placing families in hotels of varying quality, by placing them in public shelters (which may range from congregate facilities with dormitories and shared public spaces to facilities offering quasi-apartments), or by finding them a permanent space in public housing. As we will see, poor families have strong preferences regarding these options.

In addition to those families who will become homeless no matter what the city's policies—those who lose an apartment to fire, those whose husbands or boyfriends become abusive, those whose parents simply cannot deal with them any longer and so forth—there are many other families for whom homeless shelter provided by the city is one of a set of poor housing options. A majority of the families who seek shelter from the city have previously been sharing housing with friends or relatives. There may be as many as 100,000 other doubled-up households who could opt to enter the city's shelter system if doing so would improve their housing options.[5]

Advocates call such families the "hidden homeless." For them, as well as other very poor families who are currently renting apartments, the decision to enter the shelter system is a matter of comparing costs and benefits. They will seek shelter from the city when the benefits of doing so are greater than the costs. Thus, the fact that the city cannot turn away any family who desires city shelter does not mean that it cannot limit the number of sheltered families. The city can determine the number of families it shelters by the quality of shelter and the other public benefits it provides to homeless families.

Although it may seem odd to talk about the benefits of becoming homeless, these benefits are very real and may be quite substantial. In New York they consist largely of priority access to subsidized housing and increased disposable cash income.

Since 1984, New York City has given priority to homeless families for new or renovated housing owned by the city. Current-

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ly a poor family applying for subsidized housing in the ordinary way faces a waiting list containing in excess of 200,000 families. The size of this list implies an 18-year wait for such housing (although duplications and inclusion of families no longer eligible for or desiring subsidized housing means the actual wait will be less). Families entering the homeless shelter system, on the other hand, wait about a year for a subsidized apartment.

Moreover, becoming homeless can actually raise a family's income. This is especially true if the family is able to secure placement in a hotel room rather than a city shelter. In 1987, for example, a family of four with no earned income would receive a basic AFDC grant of $326 a month, plus a housing allowance of $270 and $62 in food stamps. Assuming their rent did not exceed the housing allowance, they were left with $388 a month for other needs. If the same family became homeless and were assigned a hotel room, it retained its basic grant and food stamps of $388 a month. In addition, that family would get a "transportation allowance" to enable the mother to accompany her children to school in their old neighborhood, plus a "restaurant allowance" of $362 a month because hotel rooms do not typically have kitchens. Since homeless families in New York's hotels prepare over 90 percent of their meals in their rooms anyway, the "restaurant allowance" actually increases their income by over $350 a month. This nearly doubles their disposable cash income.

Homeless families placed in city shelters, on the other hand, get a transportation allowance but no restaurant allowance or food stamps because the shelters provide meals. Whether entering a shelter increases their incomes depends on whether the mothers use their travel allowance to accompany their children to school, on whether they had been spending more than their food stamps for food, and on the value of the meals provided by the shelters.

The effect on income is especially pronounced for one group of potential homeless families—young women with children who have the option of living with their parents. New York assumes that when a woman lives with a parent, the parent provides room and board and reduces her welfare payment accordingly. Thus, a single woman with a child will increase her income if she leaves her family and becomes homeless. The city, instead of her parents, provides her with food and shelter, but she will not have to make any contribution to household expenses. Her base welfare grant increases because the city no longer assumes that she is being subsidized by her parents. New York is one of only 10 states that lower a woman's welfare grant if she decides to remain at home. In 28 states plus the District of Columbia, she receives her full grant (including shelter allowance) no matter where she decides to live, while in the remaining 12 states she can retain her full grant by making a token payment of as little as a dollar a month to her parent(s) for room and board.

The benefits of becoming homeless are very real and may be substantial

The costs of becoming homeless are the conditions under which families live while in the shelter system. These costs vary greatly depending on whether families are placed in hotels or city shelters, with hotels being by far the more attractive option. We know hotels are the more desirable alternative because homeless families say they prefer hotels and because they behave in ways designed to increase their chances of being assigned to them.

Among families applying for city shelter in December of 1985, 61 percent said they would accept only certain types of shelter.

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Over half of the families would decline a congregate shelter, but would accept a private apartment or hotel room, according to a report by the New York City Human Resources Administration (HRA). According to another HRA report, among residents of one welfare hotel in February 1986, 46 percent would refuse placement in a shelter with private bedrooms but shared kitchens and recreation areas, and 61 percent would refuse shelter that provided private bedrooms but did not allow non-family members to visit in those bedrooms.

The timing of requests for shelter by homeless families shows their preference for hotel rooms. During normal business hours homeless families should report to an Income Maintenance Center (IMC) located in their neighborhood for assignment to shelter. Those who become homeless at other times can go to Emergency Assistance Units (EAUs) between 4 p.m. and 8 a.m. on weekdays and 24 hours a day other days. Although the city originally expected almost all assignments to be made through the Income Maintenance Centers, in the mid 1980s almost three-quarters of family requests for shelter came from Emergency Assistance Units.

In part this was because families not placed by their IMC reappeared at an EAU. The primary reason, however, seems to be that only 10 percent of the families at IMCs were assigned to hotels, while fully half of the placements from EAUs were to hotels. Some families refused the placement offered by their IMC and tried again at an EAU, while about half of those appearing at the EAUs had not bothered to go to their IMC at all. Many families appeared at an EAU several times, refusing the shelter offered until they were placed in a hotel. Administrative records show that about one-quarter of the families offered shelter by the city (almost all of them families who were not offered hotel rooms) made their own sleeping arrangements rather than accept the shelter provided.

The percentage of families who refuse shelter may be even higher. During 1985, the city received about 5,000 requests for shelter each month from families, according to Steven Taylor, then Deputy Administrator for Policy and Program Development at the Human Resources Administration. Eliminating duplications, at least 2,500 families were referred to hotels and shelters. However, only 600 families entered the system. The other 1,900 must have made alternative arrangements.[6]

There is an active street market in pregnant women's urine, bought by non-pregnant women who wish to secure private accomodations

According to Robert Jorgen, in 1984 the head of the Human Resources Administration's Crises Intervention Services Unit, "When the city was still sending people to New Jersey hotels we got tremendous publicity. We had some fairly nice hotels out there. People saw on TV all the kids splashing around in the swimming pools. Our EAU was packed with people wanting to go to New Jersey who turned around and left when they were told they couldn't."[7]

More evidence of poor families' preference for hotel rooms comes from the behavior of pregnant women. In 1988, over one-third of the heads of homeless families applying for shelter were pregnant. By comparison, only 6 percent of heads of housed welfare families are pregnant at any time.[8]

Why should pregnancy be so much more common among women requesting shelter from the city than among other poor women? It is unclear how a future birth could strain current housing resources. One might theorize that unwanted preg-

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nancies lead fathers to throw the mother out, but very few heads of homeless families have recently lived with either a husband or boyfriend.

The answer lies in city policies. Pregnant women face a different cost-benefit calculus than other women. Pregnant women (and new mothers) receive priority over other homeless women for permanent placement in subsidized housing. They are also guaranteed temporary placement in a private room or hotel. Given these lower costs and higher benefits, more pregnant than non-pregnant women enter the shelter system. Since a woman's early placement in housing and better conditions in the shelter system are eliminated if she ceases to be pregnant, the city's policies may also encourage women to decide to bear children they cannot support.

While we have no evidence of women getting pregnant in order to obtain priority for housing, it is clear that women understand and respond to the incentives in city policies. Ralph Da Costa Nuñez of Homes for the Homeless and Ed Abrams of the Food and Hunger Hotline both report that there is an active street market in pregnant women's urine, bought by non-pregnant women who wish to secure private accommodations and jump to the head of the line for public housing. This happens often enough that the city has instituted special procedures to attempt to catch fake pregnancies. Surely such subtle behaviors designed to obtain their preferred treatment belie the claim that poor families are too unsophisticated to understand or respond to the city's policies.

We can now begin to understand the forces that have created New York's high level of family homelessness. Imagine a city with no homeless families but a waiting list for public housing. Now suppose the local government announced it would provide a fixed number of apartments to homeless families every year but that while waiting for placement in these apartments each family would have to live in a shelter of a particular quality. Low-income families would compare the benefits from obtaining priority for subsidized housing with the costs of living in the shelter until placed (including any effects on income and quality of life).

Obviously, if there were no wait in a shelter, all families desiring subsidized housing should declare themselves homeless and obtain immediate access to permanent public housing. If the wait for a permanent placement were short, and the temporary shelter pleasant, nearly as many families would declare themselves homeless. As the wait for placement increased, or the quality of the temporary shelter decreased, declaring homelessness would become less attractive until, at some point, the marginal family would no longer find it worthwhile to endure the deprivations of shelter life in return for earlier placement in subsidized housing. In this way the decisions of poor families themselves determine the "optimal" length of stay in the shelter system along with the number of families being sheltered.

Contrary to conventional wisdom, providing more permanent housing for the homeless would increase rather than reduce the number of homeless families. If the city built more housing for homeless families in an attempt to reduce the length of time each family spent in its shelters, this would induce more families to join the queue until the wait for shelter is restored to its equilibrium length (where the costs of time spent in the shelter system just equals the advantage of early placement). Thus, increases in permanent housing provided for homeless families should result in a proportional increase in the number of homeless families, but no change in the average period of homelessness.

This analysis predicts that there should be more homeless families in New York than other cities because New York provides substantially larger benefits to its homeless and houses them under substan-

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tially better conditions than other cities. In 1988, for example, New York spent almost $25,000 on an annual basis for each sheltered homeless person, compared with an average of $5,500 in the next four largest cities in the country (Los Angeles, Chicago, Houston, and Philadelphia).[9] In fact, New York City spends seven times as much on programs for the homeless as the combined spending of the next four largest cities, even though their total population exceeds New York's by a third.

New York is also unique in its efforts to provide permanent housing for the homeless. By some estimates it spends more on housing programs than all other American cities combined. In fiscal 1988, almost half of New York's expenditures for homeless persons was for housing renovation, despite the evidence presented earlier that housing markets play very little role in the extent of homelessness in New York.

Since most cities neither provide restaurant allowances to homeless families nor reduce welfare grants to families who share housing with relatives, the increase in income that can result if a family becomes homeless is larger in New York than elsewhere.

The human costs to the homeless of seeking shelter are lower in New York than in other cities because it makes more extensive use of hotel rooms to shelter its homeless. The consequences of such a decision can be clearly seen in the experiences of nearby cities. In the fall of 1989, Westchester County housed the majority of its homeless families in hotels and gave them restaurant allowances while Nassau County sent its homeless families to shelters. Not surprisingly, Westchester was sheltering approximately 800 families, while Nassau (with a population about one and a half times as large) had only 50 homeless families.[10] New Haven, which uses hotels, reported family homelessness rates six times those of Hartford or Bridgeport, which use shelters.

Further evidence that the number of homeless families in New York responds to the city's policies comes from the growth trend in such families. Recall the pattern in Figure 2. The number of homeless families rose steadily until early 1987 when it reversed itself even though there was no significant change in either the housing market or family characteristics. What did change in 1987 was the city's strategy for sheltering the homeless. At the end of 1986, over three-fourths of the families sheltered by the City of New York were placed in hotel rooms. In 1987, partially in response to Federal Government threats to cut off funding for hotel rooms, the city began to reduce its use of hotels to shelter homeless families with the goal of completely eliminating hotels from the shelter system by 1990 (since revised to 1992).

When this change in policy increased the costs of becoming homeless, the number of homeless families dropped. This occurred even though the number of permanent units provided for the homeless continued to rise, just as it had been doing when the number of homeless families was increasing. Thus, the length of time a family could be predicted to wait in the shelter system for subsidized housing fell from 15 months in fiscal 1986-1987 to 10 months in fiscal 1988-1989, just the result one would expect to see if changes in policy (fewer hotel rooms) had increased the cost of waiting, thereby reducing the equilibrium waiting time.

The real debate

We have seen that the exceptional rate of family homelessness in New York is not a result of housing-market conditions. Apartments are as available and as affordable for the poor in New York as they are elsewhere. There are, however, more poor and female-headed families in New York. This explains a portion of the difference in family homelessness between New York and other cities.

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The bulk of the difference between New York and other cities, however, is best understood as the result of more generous rewards and lower costs to entering the public shelter system in New York. Building or setting aside more permanent subsidized housing specifically for the homeless will not solve the problem. Instead, it will make things worse. If more units are provided, there will be a matching increase in the number of families waiting in the shelter queue for housing as families act to balance the advantages of early access to permanent housing with the disadvantages of shelter life. Making the shelters themselves more pleasant will also increase the number of families willing to join the queue until a new, longer optimal waiting time is reached.

Programs for homeless families cannot be more generous than those for poor families in general without increasing the number of families who eventually endure a spell of homelessness. This is obviously not a desirable result. Even though families may find it to their advantage to use the shelter system to secure better permanent housing, such use involves real costs for the family as well as the city. Providing emergency shelter is an expensive way of screening applicants for housing assistance, thereby depriving other needy people of the city's resources. Because poor families do understand and respond rationally to incentives, a commitment to provide housing for all homeless families is, by definition, eventually a commitment to provide housing for all poor families. Such a commitment should be debated on its own merits, and the debate not clouded by the emotional specter of homelessness. ■

NOTES:

[1] Until the release in a few years of the data from the 1990 census, the best information on the number of homeless people is provided by the U.S. Department of Housing and Urban Development, which estimated the total number for various cities in 1984. Independent evidence suggests that the HUD estimates were highly accurate. The number in families is obtained by multiplying this total by the proportion of homeless persons in families estimated by each city for the U.S. Conference of Mayors in 1985 and 1986. The 20 cities are all those for which data are available in both sources: Boston, Charleston, S.C., Chicago, Cleveland, Detroit, Hartford, Kansas City, Los Angeles, Louisville, Minneapolis-St.Paul, Nashville, New Orleans, Philadelphia, Phoenix, Portland, Ore., Providence, Salt Lake City, San Francisco, Seattle, and Washington, D.C.

[2] The distribution of rents is only available at the city level in 1980 census data. They have been updated to 1984 by increasing the 1980 rents in each city by the rate of increase in rents between 1980 and 1984 for the nation as a whole. Thus, results for any individual city will be biased by the extent to which that city's change in housing prices for these four years differed from the U.S. as a whole. In the early 1980s, real housing prices in New York City increased at about the same rate as the national average.

[3] Because the fraction of the metropolitan area contained within the central city varies across cities, Figure 1 uses metropolitan area population in the denominator rather than the central city population used to calculate the raw numbers presented above. Results are the same no matter which measure is used.

[4] Rigidities introduced by rent control mean that a large fraction of apartments in New York are held by long-term tenants and are not part of the active rental market. In addition, a low vacancy rate need not indicate a poorly functioning housing market. Optimal inventory theory predicts that the ratio of inventory to sales (the vacancy rate) will be lower the larger the scale of operations. Indeed, New York's vacancy rate is actually higher than would be predicted from the relationship between vacancy rates and the size of the rental market across other cities.

[5] A Shelter is Not a Home: Report of the Manhattan Borough President's Task Force on Housing for Homeless Families, by Jame R. Dumpson, Chairman (New York, N.Y.: Office of the President of the Borough of Manhattan, 1987).

[6] Cited in Thomas Main, "The Homeless Families of New York," The Public Interest, Fall 1985, 18.

[7] Cited in Tom Robbins, "New York's Homeless Families," City Limits, November 1984, 8.

[8] James R. Knickman and Beth C. Weitzman, "A Study of Homeless Families in New York City," (New York, N.Y.: New York University, Graduate School of Public Administration, 1989) mimeo.

[9] U.S. Department of Housing and Urban Development, Office of Policy Development and Research, Homeless Assistance Policy and Practice in the Nation's Five Largest Cities ([Washington, D.C.]: U.S. Department of Housing and Urban Development, 1989).

[10] Robert C. Ellickson, "The Homelessness Muddle," The Public Interest, Spring 1990, 48.

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Letting Schools Work

by John Chubb and Terry Moe

During the Eighties, spurred by the grim statistics on the academic achievement of American students, America came to a remarkable consensus on the need for education reform. An extraordinary amount has been done since then, mostly at the state level, in an attempt to turn things around. Between 1981 and 1986 expenditures per pupil on elementary and secondary education went up 40 percent. We now spend four times as much per child (in real terms) as we did in 1950. In the first half of the 1980s teachers enjoyed larger salary increases than any other occupational group in the country. Reformers have taken steps to reduce class sizes, crack down on teacher incompetence, and boost promotion and graduation requirements. Some states and school districts have launched bold experiments with career ladders and merit pay for teachers, and with decentralized "school-based management," which New York City School Chancellor Joseph A. Fernandez is pursuing.

The one thing that has not changed much is the wider institutional framework in which schools are run: America's public schools are still largely controlled by a network of outside authorities, from federal and state agencies to teachers unions, to the central offices of large, consolidated school districts. Our study of American schools, the largest and most thorough ever undertaken, has convinced us that these wider controlling institutions crucially affect school success or failure. Because they ignore these controlling institutions, the education reforms adopted thus far—for all their effort and expense—are destined to fail.

What our study did

Two questions have motivated more than 20 years of "effective schools" research: Do schools make a difference in the academic achievement of their students? And if so, how do effective schools differ from ineffective schools? Scholars here and in Great Britain have come up with some consistent answers that may surprise the uninitiated. First, schools matter enormously. Starting with students of similar aptitude, family background, and peer influence, some schools consistently turn out better-educated students than others. These are called, by educational researchers, effective schools. Second, the most important differences between effective and ineffective schools are organizational and intangible. Effective schools, for instance, have strong educational leadership, particularly from principals. Principals in good schools are dedicated to the classroom and think of themselves as leaders, not administrators. These intangible factors, and there are several others, are far more important than factors such as money, class size, teacher credentials, graduation requirements, and so forth.

Our study built on this earlier effective schools research and took it several crucial steps further. We examined data from 500 randomly selected high schools nationwide, both public and private, including informa-

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John Chubb is a senior fellow at the Brookings Institution. Terry Moe is a professor at Stanford University. This article was condensed and adapted by the editors of NY *from the authors' new book:* Politics, Markets, and America's Schools *(Brookings, 1990). Readers who wish to fully assess the methodology and results discussed here should refer to the book and its appendices.*

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tion from 500 principals, 12,000 teachers, and 10,000 students in these schools. The data on the students came from the national High School and Beyond survey of student academic achievement, which tested students in math, science, reading, writing, and vocabulary. The students were examined twice: as sophomores, and again at graduation, allowing us to monitor their progress. The data on principals and teachers came from the Administrator and Teacher Survey, which we participated in, and included detailed accounts of school policy, educational methods, and personnel policy and attitudes. We compared these results against a mass of data about the schools themselves: statistics on such factors as funding, school population, curricula, etc. With the data in hand we began the search for the sources of student, and school, success or failure.

The resulting findings were quite strong. To begin with we confirmed the view of many researchers before us that schools do matter. Over the course of a four-year high school career, being in an effective rather than an ineffective school adds one full year, on average, to a student's academic achievement, even after controlling for initial aptitude, parental socioeconomic status, and so forth. Schools are the second most important factor—after student aptitude—in student achievement, marginally exceeding the influence of parents and substantially surpassing the influence of peer groups.

What makes an effective school? We found, first of all, that there was no correlation between student achievement and any of the variables on which school reformers have been spending so much time, effort, and money. Neither expenditures, teacher salaries, class size, graduation and promotion requirements, teacher credentials, nor any similar factor made any difference. That is one reason school reform as it is now proceeding will fail.

We also found, as had previous researchers, that intangible and organizational factors are the most important. The influence of principals has been mentioned, we confirmed it. We found, as had others before us, that effective schools have clear academic goals; they make academic achievement their highest priority and let everyone in the school know it. Effective schools treat teachers like professionals; the teachers share the school's goals and feel effective in pursuit of those goals. They participate extensively in school decisions; within their classrooms they are free to tailor their practices to the needs of their students. In short, effective schools are organized effectively. They are organized like teams, held together by consensus, cooperation, and shared goals, not primarily by rules and regulations. The unsuccessful school is bound primarily by rules and regulations; it is a classic hierarchical bureaucracy, rather than a team.

As we say, researchers have been pointing to these organizational and intangible factors for years as the key to school success. But none of the effective schools research had gone on to the next question: Why do some schools organize themselves in effective ways, while others fall short? All schools obviously want to be successful organizations, to make children learn. Why do some succeed and some fail? We did ask that question and our research uncovered a powerful explanation: Effective schools enjoy a great deal of autonomy. Principals and teachers are relatively free of outside control and free to pursue educational goals. Dysfunctional schools, on the other hand, are to a much greater extent ruled by outside authorities, and have much less autonomy. School superintendents, and central office administrators exert direct bureaucratic control; teachers' unions impose bureaucratic control indirectly through union contracts. Intensive control of school policy by any of these forces produced equally bad results.

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In some ways this is a common sense result: Schools that act like bureaucracies are controlled by some larger bureaucracy. But to study systematically the relationship between a school's effectiveness and its autonomy, we had to solve two difficulties. First, we needed a way to measure autonomy. Second, we needed to disentangle cause from effect. If outside interference and ineffectiveness went together, was the interference causing the bad performance or was the bad performance provoking the interference?

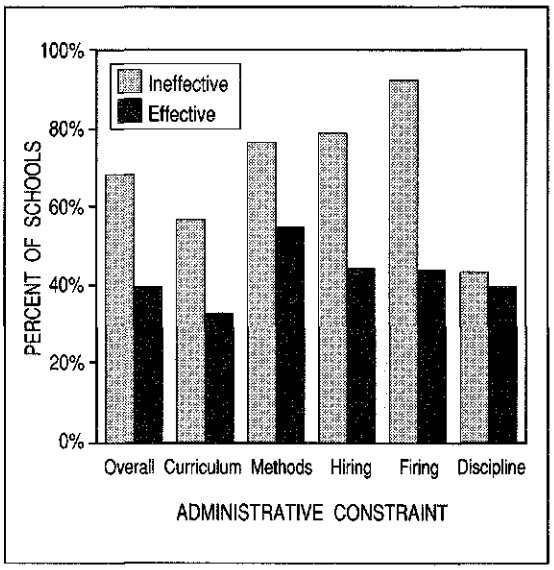
To pin down the relationship between performance and autonomy, we set out first to devise a way to measure external control. In our survey of principals, we asked them to assess their own degree of autonomy from superintendents, central administrators, and unions in several areas, including setting curriculum, choosing instructional methods, hiring new teachers, dismissing or transferring teachers, and setting disciplinary policy. We then rolled together these five measures of outside interference to form one general overall index of "administrative constraint."

There is reason to believe that control over personnel is especially important to a school. So we asked principals a number of separate questions to gauge in depth their control over hiring and firing. We used the results to create another index called "personnel constraint."

Thus we created two measures or indexes of bureaucratic control: a broad, comprehensive index that we called "administrative constraint," and a deeper, more specific index that we called "personnel constraint." Armed with a way to measure outside interference, we compared the level of such interference in effective and ineffective schools.

As shown in Figure 1, the differences are quite striking. Overall, 68 percent of ineffective schools have above average levels of administrative constraint, compared with 39 percent of effective schools. On each of the five separate measures of administrative constraint (curriculum, instruction, hiring, firing, and discipline), effective schools come under less control from superintendents and central office administrators than dysfunctional schools. In four out of the five areas, the differences are large.

FIGURE 1
Administrative Constraint in Effective and Ineffective Schools: A Profile



Losing control over hiring and firing of teachers appears to be especially debilitating to schools. Ninety-two percent of ineffectively organized schools had above-average administrative constraints on firing, and the vast majority were also subject to above-average constraints on hiring. Among effective schools, only about 40 percent reported above average personnel constraints. This makes sense. If an effective school is one that functions as a team, with shared goals, then the freedom to build a cohesive team should be a great advantage.

A look at our second bureaucracy index, the deeper index of personnel constraint, confirms this finding. (See Figure 2.) Ineffective schools are almost six times more likely to face above average personnel constraints than effective schools. Forty-

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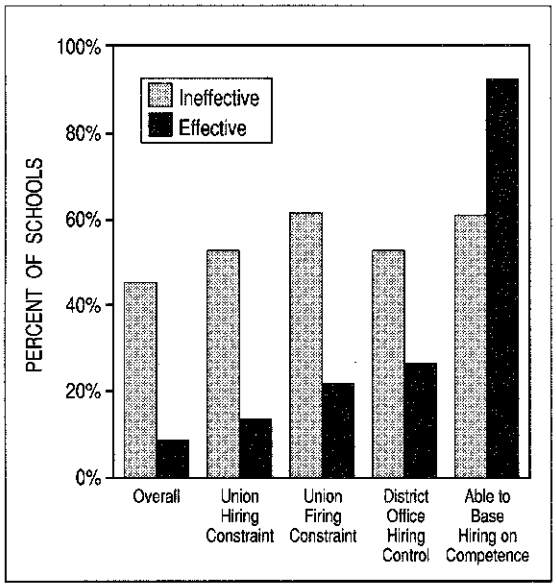
five percent of ineffective schools face above average interference in personnel decisions, compared with about 8 percent of effective schools.

FIGURE 2
Personnel Constraints on Effective and Ineffective Schools



In preparing this deeper index of personnel constraint, we asked principals about "barriers" they faced in "obtaining teachers with excellent qualifications" and in "firing or refusing to renew the contracts of poor teachers." Only a small fraction of principals of effective schools say union constraints keep them from hiring top-notch teachers or firing incompetent ones. A majority of the principals of ineffective schools, on the other hand, say unions are a very large obstacle in this regard. Only a quarter of the principals of effective schools say the central office makes it difficult to get excellent teachers; 52 percent of the principals of ineffective schools say so.

We also asked principals to agree or disagree with the following proposition: "When two teachers with the same credentials apply for permanent transfer to this school, we decide which one to accept on the basis of their competence, not on the basis of their seniority." A majority in both categories agreed with this proposition. But over 90 percent of the principals of effective schools agreed that they hired the most competent applicant, while only 60 percent of the principals of ineffective schools did so.

Thus in five key areas of education policy—and in personnel decisions especially—external, bureaucratic control is much stronger in ineffective schools than in effective ones. Effective schools have much more control over staff, curriculum, and educational policies. Ineffective schools are much more likely to have these decisions made by external authorities. In the first rough cut of the data, bureaucracy appears to be a major negative influence on schools.

Controlling the variables

The obvious response to this discovery is that not every correlation implies a cause and effect. Perhaps schools that are failing for other reasons get "taken over" by outside forces. Perhaps schools blessed with good students tend to be let alone, but would do just as well even if they were not. To untangle cause and effect, we constructed a new model controlling the analysis for other factors that our data found correlated with schools' effectiveness, including student ability and behavior, parent socioeconomic status, and school funding. We found that even after controlling for these other factors, bureaucracy is the single most powerful factor in school effectiveness.

When parents, students, and the level of bureaucracy are taken into account, school funding has no significant influence on school effectiveness. Both students and parents on the other hand are a major influence on school effectiveness. All other factors being equal, effective schools are much more likely to emerge when schools serve well-behaved, well-prepared students who come from families with high socioeconomic status.

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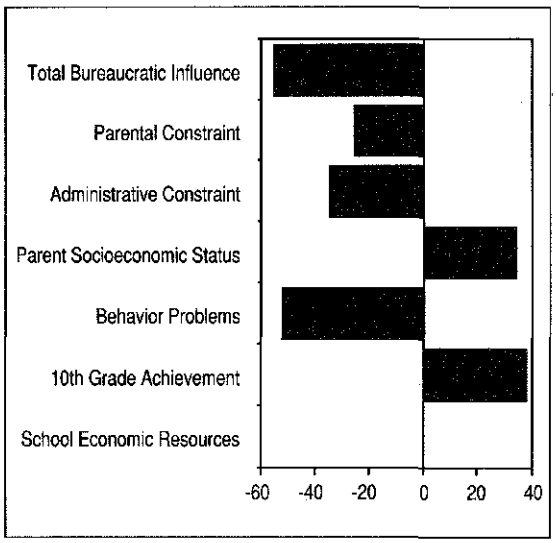
FIGURE 3
Factors Influencing School Effectiveness



Student behavior is a particularly powerful factor. Taking two schools, average in all other respects, a very orderly school would likely be ranked around percentile 80 in effectiveness; a very disorderly school would score down around percentile 28.

But the strongest determinant of school effectiveness, more important than family background or any other factor, was autonomy from bureaucratic control. Both administrative constraint and personnel constraint are important independently; together they add up to the biggest single influence on school effectiveness. Taking two schools average in all other respects except that one comes under high bureaucratic influence, and the other low, the highly bureaucratic school will rank only in the 24th percentile of effectiveness, meaning that 76 percent of all schools will be more effective. The highly autonomous school, however, would be expected to rank in the 81st percentile in effectiveness, making it more effective than all but 19 percent of schools. Thus the difference between high and low levels of bureaucracy can amount to almost one full year in student achievement over a four-year high school career. Bureaucratic influence can make or break school performance all by itself.

In other words, of schools with similar student and family "endowments," some are much more bureaucratically controlled than others, and the more bureaucratic ones are on average much less effective. Bureaucracy is a prime cause, not the result of, school failure. A school that is free to chart its own course is much more likely to develop an effective organization, and thereby boost academic achievement. Schools tend to prosper most when outsiders trust them and leave them alone. Which brings us to the last and most crucial question answered by our study: What causes schools to come under bureaucratic control? Is it something beyond all control, or are there ways to make a given school much less bureaucratic.

We suspected that the degree of bureaucratic control over schools might correlate with several variables including family background, student body characteristics, (initial achievement, additional achievement, and behavior) the amount of contact between parent and school, school "sector," and school location. By "sector" we mean whether a school is public or private. By "location" we mean whether it is located in an urban, suburban, or rural area.

We were interested in family background because some observers have argued that more affluent parents might be more capable of fending off outside interference and poorer parents might be less capable of overseeing their schools, thus encouraging more oversight by the central authorities. Student characteristics seemed a possible factor because achievement and behavior stand for "good" or "bad" schools and outside authorities might be more likely to take control of "bad" schools. As for school sector and school location, they are measures of the type of institutional control to which schools are subject. Public schools are, in almost every case, part of larger administrative systems. In urban areas,

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public schools are usually embedded in extensive, politically controlled hierarchies sprawling over an entire city or county. In rural or suburban areas, on the other hand, a public school district may contain only a few schools, and nearly everyone in town may share the same rough vision of what the schools should be doing, which allows for minimal layers of administrative control. Most private schools are relatively free from outside control: Independent private schools are mostly self-governing, and parochial and church schools are mostly run by the parish or congregation. On the other hand, some private schools are also part of large systems—such as the parochial schools in large urban dioceses. That is why we use both sector and location to measure institutional control.

We found that bureaucratic schools tend to be public rather than private, and urban rather than non-urban. They also tend to serve students with more behavioral and academic problems, from families of lower socioeconomic status. The next step was to distinguish cause and effect from mere correlation, by measuring the significance of each individual factor, while controlling for the others.

Having done so, we found that neither parents nor students had a powerful effect on bureaucracy. Neither initial student achievement nor student behavior had any significant effect on administrative constraint. Additional student achievement had only a small effect. Personnel constraint varied in the opposite way: in response to initial achievement and student behavior, but not in response to gains in student achievement. Schools with less able, or misbehaving student bodies had less control over hiring and firing than others. But schools in which students learned a great deal were no more likely to be allowed autonomy than schools in which they learn little. Overall, the influence of students on the level of bureaucracy was inconsistent and not large.

Parents also had surprisingly little effect on bureaucracy. Parent socioeconomic status had no significant effect and parent-school contacts only a slight effect and that only on administrative constraint.

For a better idea of why some schools are bureaucratic while others retain their autonomy, we must look to the final two variables: school sector and school location. Both of these, it will be recalled, are indirect measures of the influence of the wider institutions that control schools. Most American public schools operate under political hierarchies, controlling many schools serving many students from different backgrounds. They must heed rules and regulations issued by superintendents, community school boards, central office education bureaucrats, and state legislatures.

Private schools respond to market incentives rather than to political rules. They can set distinctive educational goals, make them known to families, and admit (or retain) only parents and students committed to those goals. They can gather an educational community that agrees on basic priorities. On the other hand some public schools in rural or suburban areas can do the same thing.

As these considerations suggest, we found that both a school's sector and its location have a major effect on the level of bureaucratic control it will encounter. Moving a school from an urban to a non-urban location reduces administrative constraint by nearly three quartiles; a shift from public to private sector reduces it by more than two quartiles. No parent or student variable, by contrast, lowers administrative constraint even one quartile.

Similar results emerge for personnel constraint. Vast improvements in student achievement or student behavior can reduce personnel constraints by a quartile to a quartile and a half. Changes in school sector or school location, on the other hand, reduce personnel constraint by about twice

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as much. Our findings were strong and clear: School sector and school location, our proxies for the mode of institutional control, were overwhelmingly important in determining whether a school would be bureaucratic or autonomous, while other factors mattered much less if at all.

It will be recalled that this analysis controls for the kinds of students and parents in each school. In other words our results are not merely a function of the tendency of urban schools to have more difficult students and less interested parents. Urban schools may have more troublesome student bodies, but—on our evidence—that is not the major reason they are more bureaucratic. The crucial difficulty of urban schools is that they are embedded in large, heterogeneous school systems.

The same unambiguous results apply to the public-private split. When all else is equal—when schools serve the same kinds of students from the same kinds of families, situated in the same general area—private schools are far less bureaucratically controlled than public schools.

FIGURE 4
Factors Influencing Administrative Constraint

Factor	Predicted change in administrative constraint
10th Grade Achievement *(shift from lowest quartile to highest quartile)*	Not significant
Student Achievement Gains *(below to above average)*	-16.7 percentiles
Behavior Problems *(lowest to highest quartile)*	Not significant
Parent SES *(below to above average)*	Not significant
Parent-School Contacts *(bottom to top quartile)*	-25.6 percentiles
School Location *(shift from urban to non-urban)*	-72.1 percentiles
School Sector *(shift from public to private)*	-56.2 percentiles

FIGURE 5
Factors Influencing Personnel Constraint

Factor	Predicted Change in Personnel Constraint
10th Grade Achievement *(shift from lowest quartile to highest quartile)*	-30 percentiles
Student Achievement Gains *(below to above average)*	Not significant
Behavior Problems *(lowest to highest quartile)*	+43 percentiles
Parent SES *(below average to above average)*	Not significant
Parent-School Contacts *(bottom to top quartile)*	Not significant
School Location *(shift from urban to non-urban)*	-66.3 percentiles
School Sector *(shift from public to private)*	-51.9 percentiles

Bureaucracy and school failure are not historical accidents, but inevitable consequences of the way we govern our public schools. The Federal Government now administers some 70 elementary and secondary education programs; state governments now provide more money to schools than local governments. These monies come with rules, regulations, and other strings attached, leading inevitably to more bureaucracy and centralized control. Some public schools are regulated down to the finest detail. Outside authorities decide which students attend which schools, allocate school budgets, hire and fire teachers, design the curriculum, choose the textbooks, prescribe teaching methods, impose disciplinary policies, and furnish the classrooms. Moreover as school districts have grown much bigger on average (their total number has shrunk

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from over 100,000 in 1945 to less than 16,000 today), rules and regulations have come to play a larger part in their operations. We believe schools controlled by large heterogeneous political authorities tend to be much more bureaucratic than schools that are not. When the communities they serve are sprawlingly diverse, school goals are likely to become politicized. The schools become an arena for a struggle over whose values, priorities, and programs will be enshrined in all the schools in the district, a struggle that undermines the kind of educational leadership and teamwork found in effective schools.

We devised one final test of our central contention: that American schools perform poorly because they are imbedded in political hierarchies. We have established the influence school sector has on bureaucracy. But we can also relate school sector directly to our measure of a school's "effectiveness." If we are correct that control by large political hierarchies undermines schools, then when all else is held constant, private schools should be more effectively organized than public schools.

The idea that private schools, as such, outperform public schools, has been controversial. The superior performance of private schools is widely recognized, but many skeptics view this as a statistical artifact. Private schools perform better, they contend, because they attract abler, and expel more troublesome, students. If they served the same population of students as the public schools, their apparent superiority, the skeptics argue, would disappear.

To settle this question we tested the relationship between school sector and school effectiveness, holding other factors constant. The results were striking. School sector clearly emerged as the most important influence on school effectiveness. When student achievement and behavior, family background, parent-school contact, school size, and even school location are all taken into account, private schools still tend to be more effective organizations than public schools. The standardized influence of school sector is at least three times the magnitude of the standardized influence of any other variable, including school location. All by itself, a change from public to private status vaults a school from the middle of the second quartile to the middle of the top quartile of effectiveness.

In summary our study, based on the largest data base ever assembled for such research, showed three things:

By itself, effective school organization (leadership, ambitious academic goals, professionalism among teachers, teamwork, etc.) is capable of adding more than one full year in student achievement over a four-year high school career.

By itself, bureaucracy (excessive control on administration and personnel by outside forces) can destroy effective school organization, and autonomy (the absence of bureaucracy) can restore it.

By itself, changing the institutions of school control to liberate schools from large heterogeneous political hierarchies can create the autonomy necessary for effective schools, thus adding a full year to student achievement.

The autonomous, flourishing public school is not quite extinct today. Under the most favorable conditions—in non-urban areas with able students and interested parents—some public schools work well. Under any other circumstances, market control does much better. The qualities that public schools need to develop, private schools naturally possess. Qualities such as leadership and teamwork cannot be ordered into existence by new instructions from superintendents or new directives from a chancellor's office. They emerge from the institutional structure of private education. Public schools cannot behave as independent entities because they are not independent. Various political bodies create the

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incentives they respond to, the standards they must live up to, and the limits on what they are allowed to do. Private schools, on the other hand, are controlled not by reams of regulations but by the need to please parents and students. They focus on the goal most families are concerned with—academic achievement—and they are free to pursue that goal without meddlesome interference.

If public schools are ever to improve, the institutions that control them must first be changed. To really fix our schools we must look beyond the classroom into the school system—the wider set of institutions that determine how schools are run.

It is clear, then, why the reforms of the last decade were doomed to fail.

The first wave of reform, beginning in the late 1970s, tried to improve schools the old fashioned way: by spending a lot of money and by imposing tough new controls, ranging from higher graduation and certification requirements, to new tests of teacher competence, standardized student tests for promotion, and so forth. The formula was simple: better courses, better teachers, higher standards, more money.

The reforms sounded impressive. The results have been less so. State legislatures can do only so much. They can force students to spend so many minutes sitting in classrooms where courses with certain titles are taught, by teachers who have particular paper credentials. Teachers and students can be made to go through the motions, following state-imposed rules to the letter. But laws cannot make children learn or teachers teach.

So, the logical next step is to impose standardized tests to make sure children are learning what the legislature has told them they must learn. These tests then become part of the bureaucratic burden schools must carry. Tests have several problems: They are limited one-shot measures of performance. Moreover, if schools are rewarded or penalized according to these imperfect measures, teachers will inevitably begin "teaching to the test," which may undermine the quality of instruction. But most importantly these imperfect tests will be used as an excuse to impose new bureaucratic rules on failing schools, precisely the way to make the problem worse. As for money, the relationship between it and effective schools has been studied to death. The unanimous conclusion is that there is no connection between school funding and school performance, except perhaps at the stark extremes of deprivation or gross abundance. In our own study, we found effective schools did have some 20 percent more resources than dysfunctional schools. However, once controls were introduced for factors such as family status and student aptitude, the correlation between money and success disappeared completely. Schools with more affluent students do tend to spend more money and they get better educational performance. But it is the higher socioeconomic status of the families, not the additional money in the education budget, that explains the better performance.

The unanimous conclusion is that there is no connection between school funding and school performance

All the first-wave reforms sound nice, and some may help in small ways, but at best they divert people and resources from real education reform and at worst they unleash new bureaucratic pathologies that on balance, make schools worse. After all the much publicized reform, the condition of American education remains grim.

By the late Eighties, a new consensus emerged on the need to liberate public schools from their bureaucratic straitjacket.

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The second wave of school reformers clearly understood that bureaucracy is bad and autonomy is good; but they did not look very deeply into how or why American schools came to be bureaucratized. With no clear analytical foundation to guide them, reformers reached for a grab bag of ideas that seemed to promise a reduction in bureaucracy. Of these, the most influential is school-based management. School-based management has been tried in a number of school districts from Chicago to Dade County, Florida, and at least one state (Hawaii). New York City is about to embark on a major experiment with it.

Under school-based management, central authorities delegate policy and budget decisions to principals, who are in turn often required to consult school councils composed of teachers, parents, and sometimes students. This is a nod in the right direction. But it leaves the traditional institutions of political control intact. Schools remain embedded in politically controlled hierarchies. Education officials, elected or politically appointed, may delegate more decisions, but they remain accountable to the public for school performance; their necks are on the line, and they know it.

Authorities are jealous of their powers and as soon as schools make mistakes the authorities reclaim the authority they have delegated. And so a host of new rules, regulations, and requirements arises. Parts of the old bureaucracy are jettisoned, only to be replaced by new ones. The central office giveth, and the central office taketh away. As long as bureaucratic authority exists, it will eventually be used.

All the major players running our schools—including the unions—complain that the schools are too bureaucratic. They mean what they say. But what they do—quite rationally, in response to the institutional incentives—is bureaucratize.

Our reform efforts are doomed to failure unless and until we transform the institutions that control the schools. The only way to give

A BLUEPRINT FOR CHOICE

What would a choice system look like? Taking into account all that our research has shown, we think it ought to look something like this:

STATE CHARTERS

- The state would set minimal graduation, health, and teacher certification requirements for chartering all "public schools." Any school, currently public or private, that successfully applies for a public charter would be deemed a public school, eligible to receive public funds. Local school districts would retain authority over the schools they run, but not over any other state-chartered schools within their boundaries.

- The state would also maintain a "choice office" in each district with a few simple duties: to maintain a record of all school-age children and the level of funding (or "scholarship" amounts) associated with each child; to forward that money to schools; and to inform families about the school choices available.

FUNDING

- Federal, state, and local education funds will take the form of "scholarships," which will flow to the public school of the parents' choice. Parents may not "add on" money for their own children's tuition, but school districts may decide to tax themselves at a higher rate in order to provide their children higher scholarships. The state contribution may be larger for children from poor districts than for children from wealthy ones, to help equalize scholarship amounts. Local, state, and federal governments may also add to the scholarships of underprivileged, troubled, or special students, stimulating the emergence of new programs and new schools.

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schools autonomy is to make them accountable from the bottom up, to parents, rather than from the top down, to bureaucrats. The only alternative to bureaucracy is choice.

Public school choice has become quite controversial in education circles, and only a handful of school districts around the country have experimented with it. Yet surveys reveal that the vast majority of parents want to choose the schools their children attend; once choice plans are implemented, they receive even more popular support.

Choice takes diverse forms, not all of them good for education. The most common choice plans are built around "magnet" schools, often as part of desegregation schemes. Magnet schools generally offer special or advanced programs and are open to children from throughout the district, space allowing and provided they meet the qualifications. For the few children who are offered a choice, magnet schools have worked well. Racial balance is maintained. Dropout and absenteeism rates go down; achievement scores go up. But magnet school systems are only half-magnetized: most children are still trapped by geographic zoning in deteriorating public schools. Indeed the non-magnet schools may decline if they become dumping grounds for the district's mediocre teachers and troublesome students.

Thus in most "choice" plans a majority of students remain trapped in schools of assignment. Even many of the more ambitious experiments with choice suffer from a deeper drawback: They are entirely focused on demand to the exclusion of supply. Parents may choose only among a fixed set of existing schools, all of which have their financial support guaranteed; authorities take action to ensure that no schools are "under enrolled," a bureaucratic euphemism for what happens when schools are so bad no wants to attend them. Indeed, schools that do badly are often implicitly rewarded, being singled out for bigger budgets and more staff.

ADMISSIONS

- Each student will be free to apply to any public school in the state. Schools will make their own admissions decisions, subject only to non-discrimination requirements. This is absolutely crucial. Schools must be able to define their own missions and build their own programs; they cannot do this if their student population is thrust on them by outsiders.

- Students not accepted anywhere will make a second application to schools with unfilled places. After this second round, some students may still be without schools. Parent liaisons will take informal action to match up these students with appropriate schools.

GOVERNING SCHOOLS

- Each school will determine its own governing structure. The state may not impose requirements for career ladders, advisory committees, textbook selection, in-service training, preparation time, homework, or indeed anything else. Local school districts may retain school boards, supervisors, and other governing apparatus, but they must pay for them entirely out of the revenue they derive from the scholarships of those students attending district-run schools.

- The state's responsibilities include making sure that schools meet their charter criteria, abide by non-discrimination laws, and inform the public about staff and course offerings, parent and student satisfaction levels, and standardized test scores. State governments will not, on the other hand, police school quality or student achievement. For performance, schools are held accountable from below, by parents and students who directly experience the results and are free to choose.

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Rarely do reformers take steps to free up the "supply" side of the school system. But for choice to be effective, new and different types of schools must be encouraged, so that people have an attractive (and dynamically responsive) set of alternatives from which to choose.

The most ambitious experiments in public school choice have been carried out in Cambridge, Massachusetts and in East Harlem's School District No. 4 in New York City. Cambridge's eight-year experiment with a choice-based elementary school system has been a huge success. In 1980, Cambridge made all its elementary schools magnet schools, with parents and students applying to the school of their choice. Student achievement scores are up, and the gap between achievement scores in the worst and best schools is dwindling. Perhaps the best evidence of success is that Cambridge public schools are winning back students they lost to private schools. By 1987, 89 percent of the district's kindergarten students chose to enroll in public schools, compared to 78 percent in 1979.

The most radical—and most promising—exercise in public school choice is Manhattan's District No. 4, serving some 14,000 East Harlem students from prekindergarten through the ninth grade. In 1973, District No. 4 ranked last of New York City's 32 school districts in reading and mathematics. The demographics of the district made this seem inevitable: More than half of all families are headed by single females; almost 80 percent of all students are poor enough to qualify for free-lunch programs; almost all the students are minorities: 60 percent are Hispanic, 35 percent are black.

But District No. 4 was also lucky. It had dynamic leaders who were willing to take risks. Beginning in 1974, they oversaw the creation of an expanding number of alternative schools built around distinctive themes, philosophies, and programs. Schools were henceforth to be identified with programs, not with buildings. A given building might house a number of very different schools, each with its own "director" (a teacher with the responsibilities of principal), staff, and student body.

Schools control their own admissions decisions. They are largely free to make their own decisions about programs, methods, and structure. Many of the preexisting formal rules imposed through collective bargaining or dictated by the central office have been waived or simply ignored.

The names of some of the district's junior high schools help illustrate just how spectacular the variety can be when the supply side is liberated: the Academy of Environmental Science, the Creative Learning Community, the East Harlem Career Academy, the East Harlem Maritime School, the East Harlem School for Health and Bio-Medical Studies, the José Feliciano Performing Arts School, Music 13, the Isaac Newton School for Math and Science, Northview Tech for Communication Arts and Computer Science, the Rafael Cordero Bilingual School, the School of Science and Humanities.

Freeing up the supply and governance of schools has not led to the kind of chaos or unfairness that critics of choice commonly predict. Because schools go out of business if they fail to attract enough clients, the matchup between schools and students is surprisingly close. In recent years, 60 percent of the students have received their first choices, 30 percent their second choices, and 5 percent their third choices.

The results have been dramatic. While only 15.9 percent of the district's students were reading at or above grade level in 1973, 62.6 percent were doing so by 1987. Once the worst district in the city for reading and math achievement, by 1987 District No. 4 ranked around the middle of New York's 32 districts.

Nonetheless, the reform in East Harlem still suffers from what may turn out to be a fatal flaw. Its flowering was nurtured

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by a small group of visionaries who used—and often exceeded—their authority to liberate schools from district control. But the institutions of political control are still in place. The same public authority that let East Harlem's schools go their own way could one day reclaim them.

The future of public education

Effective schools, as we have seen, exhibit certain characteristics: strong leadership, clear and ambitious goals, strong academic programs, teacher professionalism, and staff harmony. These are not independent forces, each of which adds a little bit extra to a student's learning, and which together add up to an extra year. Rather they are integral parts of a coherent syndrome, signs of a functioning school organization. They go together. The key to effective education is not to implement a miscellany of reforms but to unleash the productive potential of schools and their personnel.

Reformers have learned to revile bureaucracy and praise autonomy. But most also believe autonomy can be "granted" to schools within the existing framework of political control. They believe that the very same superintendents, central office administrators, school boards, city councils, and state governments that created the education bureaucracy can be persuaded to dismantle it, and nurture a new population of autonomous schools. They are wrong; it is precisely these political institutions that breed bureaucracy.

Moreover, the other factors that produce large differences in school organization—student ability and behavior, and parental socioeconomic status—are largely out of the control of schools or school reformers. Institutional structure is not only the major factor shaping schools, it is the only factor that reformers can do anything about. We obviously cannot legislate bad students out of existence, or give all American schoolchildren interested, well-educated, affluent parents. But we can give schools the freedom they need to do a good job.

In New York City especially, choice seems the obvious answer. District 4 is already here as a model. Chancellor Fernandez is committed to school-based management, which could help free up the supply side of the system, provided the bureaucracy does not reassert control the first time a school does something innovative enough to make it nervous. But the only way to ensure that the bureaucracy does not crack down, and that the schools really are free to serve the best interests of students, is to liberate the demand side as well; to make schools accountable not to the bureaucrats but to parents.

The reforms we propose have nothing to do with vouchers, or with "privatizing" the nation's schools. The choice system outlined would truly be a public school system. (See "A Blueprint for Choice," p. 50.) There is nothing especially "public" or democratic about shackling schools with layers of authority remote from the persons most concerned with learning: parents, children, teachers, and principals.

It is fashionable these days to say that "choice is not a panacea." We think reformers would do well to entertain the notion that choice is a panacea. Choice should not be placed in the same grab bag as other piecemeal reforms. It has the capacity all by itself to bring about the kind of transformation reformers seek. The other reforms, including school-based management, cannot be implemented without the cooperation of a bureaucracy. They perpetuate the very structure that is suffocating American education. Choice transforms that structure.

Only choice can free public schools from the dead hand of bureaucracy; only choice can free schools from conflicting political agendas to concentrate on their primary goal: academic achievement. It is time to change the way we think about, and govern, our public schools. Our children deserve no less. ■

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The War on Technology

by Rupert Murdoch

On November 9 of last year, Rupert Murdoch, the president of News World Inc. and former publisher of the New York Post, *delivered the Manhattan Institute's third annual Walter B. Wriston Lecture in Public Policy. Mr. Murdoch's theme was the hostility of incumbent social and political institutions to new technologies, and the dangers that hostility presents to economic and social welfare. It is a topic with obvious relevance for New York, a city at the center of the world information economy, but often overburdened by the rules, regulations, customs, and entrenched interests of earlier eras. What follows is an edited version of Mr. Murdoch's remarks.*

Ladies and gentlemen, it is a pleasure and an honor to be here tonight. Last year I enjoyed hearing Tom Wolfe in this forum. As you know his marvelous novel *The Bonfire of the Vanities* features a New York tabloid newspaper run by a ruthless foreign publisher, so I guess under the fairness doctrine the Manhattan Institute is giving me equal time.

For the British publishing industry, the computer revolution began in 1986, when we at News Corp. moved our operations out of Fleet Street to a new high-tech plant at Wapping in London's Docklands. For the next 13 months, we were under siege by British labor unions.

Incredibly, as recently as four years ago, British newspapers were still printed with hot lead, a process that had changed only by degrees since Gutenberg's day. British labor unions had successfully prevented the technological revolution from reaching Fleet Street. They had a noose around the neck of the industry, and they pulled it very tight.

In 1986, we had to hire four men to run a printing press in San Antonio, Texas. In Chicago, it took a maximum of five men; in New York and Sydney, six. In London, it took 18 men to do the same job, all paid salaries at least 100 percent above the national average.

Eighteen men could not even get near a printing press at the same time. But they were not expected to. They were paid full-time for working half-shifts, sometimes only on alternate days, occasionally only once every three weeks. Many of our employees worked second jobs—90 percent of the *News of the World* publishing department, for example. Some worked for rival publications, some were cab drivers or mechanics, one owned a vineyard, another was a mortician.

Once we found that phone calls to *The Sun* were not being answered because the switchboard team was watching Wimbledon on television. When asked to stop (or at least turn down the sound), they threatened "industrial action." Another night, a big news story broke in the U.S., but failed to reach *The Sun* press room because our telex operator, surrounded by yards of copy churning out of the machine, was asleep. We complained, but in the end we had to apologize for disturbing him.

Naturally, we got pretty tired of this kind of thing. But what actually touched off the Battle of Wapping was News Corp.'s attempt to start a new plant to provide excess capacity for *The Sun*. The unions' response was typical. Among other things they insisted that we pay three men, one from each union, to supervise the button to stop a press in an emergency, a function that the new automatic system performed for itself. So we brought in computers from New Hampshire, printers from Australia, and truckers from outside London, and secretly

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began building a system to print and distribute all of our 35 million newspapers a week from that one site.

This was what you might call "betting the company." Fleet Street unions had not lost a fight in living memory. But we were encouraged by Mrs. Thatcher's victory in the miners' strike and by signs that authorities were prepared to protect private property from the actions of massed pickets. The London police were not necessarily on our side. One morning, they even threatened to arrest the editor of *The Sun* for making an impolite gesture at the pickets. But sympathetic or unsympathetic, the police would not let the picketers block our trucks. An appalling number of officers were injured during the Battle of Wapping; on one night, after 300 mounted police faced 11,000 demonstrators, 162 officers (and 33 demonstrators) were injured. But the trucks rolled. And in the end we won.

The immediate result of our victory was greater freedom and flexibility, and higher profits, for News Corp. But the Battle of Wapping also ushered in a silver age of British newspaper journalism. Suddenly, thanks to the new technology, it became a lot cheaper to start a newspaper. The result is that, since 1986, a number of completely new national newspapers have sprouted up. Now of course, we did not fight the Battle of Wapping because we wanted to bring a silver age to British journalism. When the beaver gnaws down a tree, he is not thinking of his vital ecological role either. Nevertheless, he has one.

Now that Fleet Street has been cleaned up, New York City newspaper unions can proudly claim first place as the most intractable in the world. New York City unions do not provide the comic relief that Fleet Street unions used to, but there are certain items of anthropological interest. For example, when I came to New York I found that the paper handlers' union is largely composed of Irish families tracing their recent ancestry to County Kerry. If a union member retires or dies, within days the union produces a young replacement fresh from Ireland. I don't know how they get the visas, but they do. It is a charming facet of New York's colorful ethnic heritage, except that they are being paid $1,000 a week to do a job that could easily be mechanized. The New York unions also enjoy an extraordinary amount of local political clout. Let me put it bluntly: I am confident the police here would not protect paper trucks from violence as the police in London—reluctantly, but valiantly—did.

What is the lesson to be drawn from the Battle of Wapping? What happened at Wapping is a microcosm of the changes taking place in many other industries, as outmoded social institutions attempt to suppress new technology. On the one hand, new technology opens up new possibilities, not only for business but for labor. Technological progress raises wages, and makes the workplace safer, cleaner, and more humane. On the other hand, the framework of social institutions (in this case labor unions and labor law) resists the change. Technological change and social institutions interact continually, and the technology does not necessarily win. Society can soar, or it can stall.

I am not speaking Norwegian tonight because when the Vikings tried to settle North America, they didn't have guns to deter the enraged inhabitants. Several centuries later, the Pilgrim Fathers did. On the other hand, social institutions sometimes successfully stifle technological change. The classic example is the economic revolution that almost, but did not quite occur in the low countries of Europe in the 1300s. A remarkable upswing of economic activity occurred, which in many ways presaged the Industrial Revolution. But the legal structure at the time was inappropriate; property rights were not protected. So the economic boom stalled, and then dissipated. Then the Black Death came along, and that was that.

Today the pace of technological change is quickening, while the direction of change remains unpredictable. Technology is unpredictable partly because it depends upon

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the act of invention, and partly because even inventors cannot accurately imagine the place which their inventions will find in our lives. When Thomas Edison invented the phonograph, he imagined that voice recordings would be sent through the mail to replace written letters. The classic recent example is the fax machine. Many experts saw no place for it because they thought transmitting information by modem was more efficient. The funny thing is, they were right; modems are more efficient, but they are apparently not as effective, given the way we are organized right now. The history of invention is riddled with such tales.

The only thing we can be sure of is that, while technology adapts quickly, governments do not, which is why government policy is so dangerous in this field. Placing one's faith in the thousands of voluntary decisions that together constitute a free market is not easy. One finds that faith only in highly developed societies, and even then it is a fragile late-season blossom, easily dashed by war or other crises. The decision to rely on market forces is the essence of modernization. Yet technological change often provokes atavistic, authoritarian responses. The real danger of the present technological revolution is that we may be panicked by future shock into regressive schemes of regulation.

The U.S. faces the 21st century in better shape than any other country in the world. America coped with the future shock of the early 20th century without reverting to extreme government control, as Europe did. The hallmarks of the modern world, which the Eastern Bloc is now striving for, are free speech, free movements, free elections, free markets. These are all things that America has had for over 200 years. The great truth, which being an immigrant perhaps I can see more clearly than the average citizen, is this: Modernization is Americanization. It is the American way of organizing society that is prevailing in the world.

The U.S. has been extremely lucky in its continental size, its natural resources, its hard-working population, its magnificent diversity. But the ultimate American resource is more intangible. *The Economist* magazine, in a 1988 survey of Japan, put it very well. "Many Japanese think that the gap in economic performance between their country and America will continue to widen for a while—but will then narrow, as Japan's natural disadvantages (especially its aging population) and America's inherent advantages (the suppleness of its society, its inventiveness, its ability to attract the best people from all over the globe) reassert themselves." As an aide to former Japanese Prime Minister Nakasone put it: "The 20th century was the American century. The 21st century will be the American century."

I think he was right. Whatever the human race is going to achieve will probably be achieved here first. But this will remain true only as long as American institutions remain supple, which means as long as American policymakers respect open communications and free markets. The war between new technology and outmoded social institutions continues. At stake is the very idea of human progress.

Perhaps I could end on a personal note. In the 18th century, Voltaire said that every man had two countries: his own and France. In the 20th century that has come to be true of the U.S., particularly for the English-speaking world. All of the English-speaking countries are in some sense members of each other, to borrow language the Bible uses somewhere.

My own family exemplifies this truth. My mother, now 80, is an Australian. One of my daughters lives in Britain. My other daughter will soon graduate from Vassar. And of course my wife and I are American citizens and we live in New York with our two boys.

Now obviously I don't think American institutions should be made more supple just to make life easier for the Murdoch family. But I do want to say, with more feeling than usual, the traditional closing words of a speech: Thank you very much. ■

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The Tie That Blinds

In the city as nowhere else we are
reminded that we are individuals, units.
Yet the idea of the city remains; it is
the god of the city that we pursue, in vain.

V. S. Naipaul, *The Mimic Men*

Nobody comes to New York by accident, least of all the stray children of the small towns of America who flock here like stubborn pigeons. Whatever else draws these misfits eastward, there is always a bright thread of fascination stretching back to a youthful encounter: a scene in a movie, a casual tale told by an aunt or cousin, a rainy afternoon spent looking at the cartoons in a tattered copy of *The New Yorker*. The seed is planted and grows silently, and then one day you set your jaw and pack your bag and head for Grand Central Station, starry-eyed and determined to prove whatever it is you have to prove.

My own bright thread can be traced back to a long-forgotten TV game show of my small town childhood called "What's My Line?" At 9:30 sharp every Sunday night, four panelists in evening dress marched through the curtained doorway of the studio, took their seats, and proceeded to guess the occupations of two working stiffs and a Mystery Guest. Dorothy Kilgallen, the Broadway columnist, and Bennett Cerf, the president of Random House, invariably served as bookends for a panel of New York celebrities who indulged in amiable chitchat and urbane byplay for the benefit of the folks at home. The people on the "What's My Line?" panel, I quickly realized, knew each other, and watching them caused me to think of New York as a place that existed primarily for the collective pleasure of the rich and famous. To live in New York, I concluded, was to go to Broadway openings, eat at unimaginably fancy restaurants, appear on "What's My Line?" and, best of all, be friends with lots of other famous people.

"What's My Line?" was canceled by CBS in 1967, a victim of low ratings, mourned by me forever after. It was replaced by "Mission: Impossible." Eighteen years later, I embarked on my own impossible mission: I moved to New York, which turned out to be a lot more like "The Honeymooners" than "What's My Line?" I've been complaining ever since.

The causes of my despair are numbingly familiar: crack, rent control, corrupt politicians, homeless madmen in the streets,

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racial and ethnic polarization, the soaring crime rate, the high cost of living. Still, I haven't left town. I haven't even sent my resumé out lately. I came here to work at a highbrow magazine and ended up writing outrage-filled editorials for a blood-and-thunder tabloid known to its readers as "New York's Hometown Paper." The louder I complain about New York, the more deeply I seem to get sucked into the swamp of its daily struggles.

What keeps people like me from going back where we came from? Is it a simple matter of ambition? It is true that I came to New York in search of a writer's work, and that living here has advanced my career. It is also true that New York tests your mettle, chiefly because it continues to attract a disproportionate share of this country's smartest and hungriest young people. Once I welcomed that challenge. But now that I've earned a few stripes as a writer and editor, it is no longer necessary for me to stay in New York in order to make a living, much less to stroke my ego. In the age of fax machines, I could set up shop anywhere.

What about the cultural life of the city? When I first came to New York, I lined up to see the latest movies, I trudged down endless museum corridors, I went to Carnegie Hall and Lincoln Center and the Village Vanguard as often as my meager assistant editor's salary permitted. I grabbed wildly in every direction, like a kid in a candy store with a hundred dollars in his pocket. It was lovely while it lasted, but I soon learned that the cultural assets of New York are more in the nature of conveniences, most of which can be done without in a pinch. I see movies a couple of weeks earlier than my brother back in Missouri, but I don't go to any more concerts than I did when I lived in Kansas City, and the quality isn't much higher, either, for there aren't many artists who play New York without playing Kansas City first.

The romance of the city still tugs at me from time to time. New York can be a hauntingly lovely place when the windows are dressed for Christmas and you're strolling down Fifth Avenue with a good dinner in your stomach and a ticket to *Jerome Robbins' Broadway* in your pocket, certain for the moment that everything you see is yours for the asking. It is a handsome illusion—but you cannot count on it. The surface beauties of New York have an unpleasant way of vanishing without warning, dispelled by the reek of stale urine or the shrill sound of a taxi driver's curse, leaving you adrift in the real New York, dirty and shabby and sad.

No, the true romance of New York is more elusive than that. It is a romance of elective affinities, something that no other city offers its residents in such miraculous abundance. I am, among other things, a book reviewer; a regular balletgoer; a jazz musician; a collector of old recordings of classical music; and an avid fan of animated cartoons. New York provides me with a hundred friends who share these interests and who like nothing better than to chat about them over hurried lunches or leisurely telephone calls. I spent the first 30 years of my life talking to myself about the things that interest me most. In New York, I have other people to talk to.

This rich collegiality is, without question, the main reason why I stay here. It is a tie so strong that for a long time it blinded me to the city's cruder realities. There was a time when I was so strongly affected by it

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that I thought I might want to live in New York forever, complaints and all. I changed my mind on the evening when, a year or so ago, five young men held me up at gunpoint, threatened to shoot me dead, took all my money and disappeared, laughing, into the night. The hardened New Yorker dismisses such mishaps with a wink and a shrug, and my brush with death quickly became a valuable addition to my growing repertory of party pieces about urban life. But the laughter hid an open wound. For weeks after the robbery, I was filled with irrational fear. It was like being sick on an airplane. The ugliness of New York had finally reached out and touched me. I could no longer look the other way. I was tainted with doubt.

I started thinking about leaving New York on the night I was robbed. I began to think about it more seriously when a few of my friends moved away. One couple I know left for Brussels a few months ago; another friend has found a good job in Washington. They are gone but not forgotten, for their absence reminds me that there is life after New York, that I, too, could leave if I wanted. I don't want to, not yet, but I have come to feel that I am living on a steadily narrowing ledge of tolerance, that one day a furious convulsion of rage and frustration will drive me over the George Washington Bridge and back into the real world. It may be triggered by something dire: a violent mugging, an accident on the subway, a visit to a chaotic emergency room. It may be something comparatively small: a story in the morning paper, a wild taxi ride, a burned piece of toast served by a surly waitress. One way or another, I am increasingly certain that the day will come when I decide that New York simply is not worth it any more.

What of it? I know that New York will not miss me if I leave. Ten thousand typewriter jockeys stand ready to fight over my job the instant I decide that I've had enough. But I also know that my feelings about New York are far from unique. Every time I sit down at a table to break bread with my peers, I find myself drawn, sooner or later, into The Conversation: Should we stay or go? Sometimes it seems as if everybody I know is thinking about leaving town. The refrain has become so droningly familiar that I have begun to wonder, in odd moments, what New York would be like if all the ambitious young artists and intellectuals in town suddenly gave up and moved out.

This is not quite as absurd as it sounds. Bright young men and women on the make have long been drawn to New York by the aura of high culture and gaudy opportunities. Seduced by the vital company of our peers, we swallow hard and accept the devil's deal, paying the preposterously high rents and doing our best to ignore the grime and the danger, confident that the things we love will continue to make up for the things we hate. But it's a delicate balance, a landscape riddled with invisible fault lines. People like me live here because other people like me live here. It follows that if enough people like me lost patience with New York and left, the rest of us would leave, too.

Would such an exodus be noticed? I think so. Others drive the trucks and sell the bonds, but we have our own special role to play: We civilize the city. Without us, New York would be just another tawdry megalopolis, bigger than most but otherwise distinguishable only by the extreme rigidity of its public pieties. Our youthful ambitions and enthusiasms help give New York its special savor. The decivilizing impact of our departure would be impossible to ignore. So would the resulting shrinkage of the city's beleaguered middle-class population. It would not be much—but it would not take much. By such modest shrinkages are banks forced to close their doors and neighborhoods turned into festering slums. If enough hopeful young poets and critics and musicians and dancers and assistant editors left town, New York would take a long stride

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toward fulfilling the terrible prophecy of *The Bonfire of the Vanities*: The rich and poor would finally begin to rub up directly against each other, and the city would be consumed by the friction.

Needless to say, this isn't exactly your usual establishment-approved worst-case scenario for the decline and fall of New York. Remember how that goes? The schools and hospitals gradually deteriorate beyond repair. The tax rate soars. A half-dozen large companies move to Texas. You know the rest of the story. If not, you will probably find it on today's *New York Times* op-ed page, buried in the fifth paragraph of "New York's Peril, New York's Hope," a stirring call to action adapted from a speech delivered by F*l*x R*h*t*n at the last meeting of Concerned Democrats for a Slightly Better New York. In fact, I find that scenario highly likely, but I can't pretend that it interests me very much. My concern is for the soul of New York, and that will be lost not when the city's financial institutions crumble but when its cultural institutions—and their audiences—lose their nerve and start to head for the hills.

Earlier this year, Dance Theater of Harlem announced it was canceling its spring season, having succumbed to a chronic shortage of cash. I shook my head sadly when I heard the news, for the company is a fine and important one. I scratched the dates out of my appointment book and started to think of other matters. Then it struck me: What is to stop Dance Theater of Harlem from becoming Dance Theater of Seattle? Or St. Louis? What keeps Arthur Mitchell from moving his company to another town, one where his dancers could afford to marry and have children and send them to the public schools without having to worry about their kids being shot dead in the hallways? Nothing more, I suppose, than the fact that artists have always felt that the advantages of living in New York outweighed the disadvantages. That is an increasingly thin reed to lean on, in much the same way that guilt is a rope that wears thin. Dance Theater of Harlem continues to make brave noises about doing business at the same old stand, but it can only be a matter of time before some other high-profile cultural institution—an opera company, a publishing house, a popular magazine—lowers its flags and seeks a saner home. And such departures will become far more thinkable, if not inevitable, should enough people like me leave town.

I am not predicting the mass removal of young eggheads to a real-life Galt's Gulch, there to contemplate the blasted clichés of urban liberalism. If we leave, it will be in dribs and drabs, and no one will quite grasp what is happening until some slow-witted policy nerd notices that it is no longer possible to put together a respectable dinner party for tomorrow night by getting on the phone at noon today. The result will be no less fatal for the lack of outward drama. For if enough of us leave, New York will become plain, and that will be its death sentence.

Not long ago, I ran across a catalogue from a mail-order firm that sells videocassettes of old TV shows from the Fifties. I looked up "What's My Line?" and, sure enough, there was a tape for sale. I called the 800 number and had my credit card handy and, a few days later, the promised package arrived. It contained a minor miracle: Dorothy Kilgallen and Bennett Cerf and Arlene Francis and Fred Allen and Kim Novak, the mystery guest, coming to me live from New York at 9:30 p.m., February 5, 1956, exactly twenty-four hours before I was born.

Listening to their companionable chatter, I thought fondly of those half-forgotten Sunday nights when I was allowed to stay up past my bedtime and hobnob with the café society of New York. They taught me,

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long before I came here to live, that New York is more than the sum total of its skyscrapers and opera houses. The real New York, the New York that matters, is people: the people you want to have lunch with and go to the theater with and fall in love with and talk to, endlessly and joyously, until the sun rises over the East River.

What keeps all of us here is not fresh bagels and willowy ballerinas, but our shared belief in the god of the city, in the idea of New York as capital of the glittering world of culture and intellect. And what will happen if we lose our faith and abandon New York? What will we leave behind? Only tall buildings—and an idea. The buildings will survive our departure, but wrong ideas, like false gods, eventually fade away.

— *Terry Teachout*

Ten Years of Setting Municipal Priorities

Setting Municipal Priorities, Vols. I-IX, edited by Charles Brecher and Raymond D. Horton (Setting Municipal Priorities, 1990, New York University Press, 361 pp., $50 hardcover, $25 paperback)

Nine volumes ago, Raymond Horton and Charles Brecher launched a series of annual investigations of the major problems facing New York City's government.

Their timing was excellent. By the late 1970s, the acute migraine that was the 1975 fiscal crisis had subsided to a dull ache, yet memories of the pain were still vivid. An impressive list of private philanthropies and government agencies pledged to sustain the *Setting Municipal Priorities* project for a two-year run. The project was to consist of a book and a conference, gathering together experts in public administration to tackle New York's problems. Those two years have stretched into 10. Subscribers to the series have had the chance to assemble a *Setting Municipal Priorities* bookshelf of respectable size: Nine books of the year analyzing the state of the city. The decade mark is a good time to examine them, and reflect on the series' aims and its accomplishments.

During the precarious years of the early Eighties before the economic revival that is now subsiding made itself obvious, the *Setting Municipal Priorities* series, like New York City government itself, focused on efficiency. Then, in the 1984 volume, a new note was struck. Horton and Brecher collaborated on an article that suggested a 180-degree turn in local government policy. New York City budget allocations, they argued, should be categorized under three new headings developed by people the authors refer to as "social scientists." These four- and five-syllable headings are: "developmental," "allocative," and "redistributive."

"Developmental" expenditures are those that expand the capital plant of the city and enhance its economic growth. "Allocative" expenditures are those, such as education and the criminal justice system, that benefit so wide a spectrum of the population that they cannot be said to favor any one class. "Redistributive" expenditures shift resources from one group of citizens to another.

In this sudden transformation, Horton and Brecher were promoting a shift in both the city and the series' priorities, from efficiency to social justice. This was a startling deviation from the original focus of the project. The consequences of making social justice a primary goal of municipal policy were not apparent in the early years of the series. However, as time went on, the change in emphasis shifted the entire focus of the project, somewhat to its detriment.

The problem with making "equality" a top municipal priority—as one does by defining a large part of municipal spending as redistributional—is that it is an open-ended, and therefore unachievable goal. Vague and remote goals do not function as

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goals at all. They do not do what goals are supposed to do: focus energy and attention. Goals give way to dreams, which are beyond the reach of the kind of public administration analysis that is the *Setting Municipal Priorities* series' marvelous specialty.

As a political objective, social justice is not only vague, but foolish. It substitutes a controversial quasi-revolutionary slogan for what should be a simple acknowledgement of the common humanity of rich and poor. In the "social justice" view, the evil that city welfare expenditures aim to eliminate is not bad housing or untreated illness, but inequality itself. Instead of appealing to New Yorkers' desire and duty to heal the sick, and feed the destitute, social justice slogans set class against class, and in the process alienate the vast body of productive citizens on whom any social welfare scheme depends.

Of special interest and value, both for its own sake and for what it reveals about the city's perennial difficulty in setting priorities, is the 1982 article on local taxes by Dick Netzer, professor at the Robert F. Wagner Graduate School of Public Service at N.Y.U., that was republished in the 1984 retrospective compendium. Netzer establishes, as few other series' contributors have, clear criteria for judging municipal policy. One reason Netzer succeeds in this regard is that there is already wide agreement on the essential purpose of tax policy: raising money for the municipal government.

Netzer's work is a highpoint throughout, certainly interesting enough to inspire disagreement. At one point in his essay in the 1983 volume, Netzer suggests that the two most important differences between privately owned enterprises and local government are that local government faces no competition and that government does not encourage volunteer effort as private, nonprofit enterprises do. He claims both deficiencies can be corrected by strong government leadership.

I would argue that the major advantage private enterprise, profit or nonprofit, enjoys is clear goals. In private enterprises, all the players have reached substantial agreement on what they want the organization to accomplish. They want it to be fiscally sound and profitable, whether that profit is measured in cash dividends and stock prices, or in the successful achievement of its philanthropic aims.

By contrast, government and local government in particular, is now run by people who have no firm convictions as to what government can accomplish. As a result, they are prepared to burden it with responsibility for accomplishing everything any constituent group demands of them. The responsibilities of city government have evolved from maintaining the peace (hence the police power) and the streets, sewers, and other infrastructure, to providing services, like education, that were once provided by nongovernmental institutions, to rescuing souls from sin, and a host of other social ills.

All of these goals are worthy. That is part of the problem. The paralyzing effect of too many goals can be seen at all levels of government. Many functions of local government, like education, were performed not perfectly, but acceptably when schools and parents agreed that the purpose of school was to educate the young in the general culture of the civilization. Now New York City schools must not only educate, but stop drug abuse, encourage contraception, prevent AIDS, and instill ethnic pride. As their goals multiplied, schools declined.

And so for much the same reason a worthy, valuable ten-year project called *Setting Municipal Priorities* largely fails to set any. The two latest volumes, one for 1988 and one for 1990, demonstrate this tendency to apply public administration analysis to areas far beyond its useful scope. These volumes take the expansion of the public interest as a given. Thus, in the 1988

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volume, Howard Chernick writes about tax policy in a far different vein from the earlier tax essays in the series. He views the goals of local tax policy, not as equalizing the proportion of hardship imposed on each income level, but as distributing the hardship more heavily on the affluent. He acknowledges the danger that, as he puts it, the affluent may "display their resentment" by moving out. But the danger of discouraging economic activity does not deter him. The purpose of the tax code, as he understands it, is to maximize equality of income, rather than to maximize city revenues.

Perhaps it is futile to talk about the priorities of municipal government without first limiting the roles assigned to it. To have a thousand goals, after all, is the same as having no goals at all—and no criteria by which to analyze performance and judge success.

The nine-volume shelf of *Setting Municipal Priorities* is a technical document of considerable value. Its decision to avoid fundamental political questions may be wise, but it is also ultimately limiting. The kind of public administration analysis that *Setting Municipal Priorities* sets out to do is possible only when there is a consensus on what city policy is supposed to achieve. Asked to achieve all goods, the city government becomes paralyzed, ineffective, distracted—incapable of its chief task: promoting the common good.

— Roger Starr

In Appreciation

The Best Museum in the World

Many museums own more great paintings than the Frick Collection, on Fifth Avenue and 70th Street. But how many have a better batting average—a higher proportion of masterpieces in the lineup? For sheer density of genius, and for ease of viewing (since it is really quite small), the Frick is my nomination for the greatest museum in the world. It is doubly remarkable because this cream was skimmed by a man who would nowadays be expected to have no taste at all.

Henry Clay Frick came to New York to enjoy his money, but he made it in Pennsylvania. The son of a prosperous farmer, he became such a successful operator of coke ovens that Andrew Carnegie found it prudent to buy him out. What Frick got out of the deal was a role in the Carnegie Steel Company, of which he soon became the chairman. Later in life, after falling out with Carnegie, he turned his attention to railroads.

He seems, at this distance, like the stereotypical self-made zillionaire of the day. He played lots of golf; he rarely laughed. When he saw a disrespectful cartoon of himself in a Pittsburgh paper, he told an aide to "go find who owns the paper and buy it." (He cooled off and rescinded the order.) His taste in music was atrocious—"The Pilgrims' Chorus," Gounod, that kind of thing. His favorite books were more interesting—the autobiographies of Benjamin Franklin and Benvenuto Cellini, and the *Sayings of Marcus Aurelius*—but the book he passed out to friends was something called *Self Control: Its Kingship and Majesty*, by William George Jordan.

Two things stand out in his life. One July day in 1892, in the midst of the Homestead strike, which he was determinedly breaking, an anarchist walked into his office at lunch time and shot him twice in the neck, and stabbed him three times. Frick wrestled with his assailant and disarmed him. He had the help, it is true, of the Vice Chairman of Carnegie Steel, who happened to be in the room at the time. But since the anarchist had the twin advantages of surprise and a gun, I think history can safely

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record Frick won in a fair fight. After surgeons took the bullets out of his neck, he finished his day at the office, releasing this statement: "I do not think I shall die but whether I do or not the Company will pursue the same policy and it will win." Self-control indeed.

The other notable fact about Frick is the pictures.

Frick spent $30 to $40 million over 20 years to put his collection together (some paintings were bought after his death, with the money generated by a trust fund set aside for the purpose). Today, $40 million is less than the price of "Irises," but Frick was spending good, pre-World War I dollars, worth at least five times the bucks in your pocket. Any one of the Frick masterpieces would fetch an immense sum on the block today.

The building that holds the collection, formerly the Frick mansion, was finished in 1914. Except for a wonderful inner courtyard, complete with a fountain and two spitting metal frogs, it has always struck me as a dull, incommodious place, with low-ceilinged, warreny rooms. Another way of looking at it is that nothing distracts from the art.

The Frick suggests that you follow a counter-clockwise path through the rooms, and the Frick is right. The main path leads to a climax in the West Gallery. Along the way, hurry past the Bouchers. His genre pictures are Currier & Ives, his nudes are (plump) centerfolds. Jean-Honoré Fragonard, Boucher's younger contemporary, who has a room to himself, is on a different plane. His subject might be called Love at Versailles—not a tempting topic. But the care he lavishes on this silly world makes us, unexpectedly, care about it and worry for its safety.

In the Living Hall (we'd call it the living room), suddenly you are among individuals. Here are two Holbeins, an El Greco, and two Titians, depicting respectively Sir (now St.) Thomas More, Thomas Cromwell, St. Jerome, Pietro Aretino (the Renaissance pornographer), and a man in a red cap. Together the paintings suggest an opposition between energy and nobility. The first four subjects all have obvious force of character, but none of their characters are particularly appealing. Only Titian's man in the red cap looks as if he might undertake a truly generous action, but you suspect he would not be capable of completing it. In the next room, the Library, we meet a less interesting collection of people: Lots of Englishmen, hard to get excited about any of them. The sunlight, on a Constable cathedral and on some Turner treetops, is the best thing in the room.

From the Living Hall, take two little detours from our counter-clockwise route, to the South and North Halls, where hang a Vermeer ("Officer and Laughing Girl") and an Ingres ("Comtesse d'Haussonville"), two of my favorites. In the Vermeer, a girl, just a cut above plain, beams at an officer, enthralled. Ingres' Comtesse is plainish too, though she has the most squeezable forearms. But she is looking straight at us. Coming off the Vermeer, you realize that you are now the enthralled one.

When at last you reach the West Gallery, its length promises something special—and it delivers. Here are the crown jewels of a rich collection, one exquisite masterpiece after another. On the south wall, alongside a Constable and another Turner, two of my favorite paintings hang side-by-side, both Van Dycks: Frans and Margareta Snyders, husband and wife, reunited by Frick in 1909 after hanging separately for over a century. Van Dyck likes bright, surfacey highlights, but their eyes, Frans's odd long fingers, and a vase behind Margareta prevent your eyes from sliding away. On the north wall, Christ appears in a deposition from the Cross by Gerard David. His body is pale and bloodless. Four precisely rendered bones on the ground drive the horror home. The figures letting his

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body down are not weeping; a second glance at their puffy eyes shows why: there are no more tears to shed.

One of the mourners is the Virgin, and a few pictures down the wall we see her years earlier, in happier times, in a painting by Georges de La Tour. She is a plump child, solemn and attentive, who has no idea what is in store for her. After a third Turner and an early Rembrandt portrait, you come finally to the greatest of these great pictures: a self-portrait of Rembrandt in his old age. What impresses me each time I see it is its unflinching, steady look at dissolution. In this it reminds one of Picasso's last self-portrait, a greenish horrible death's head. But Rembrandt's is the image of a man who has something to fall back on: a fusion of nobility (his courage) and energy (his skill) that triumphs over bodily decay.

The three great paintings that follow—Vermeer, Velázquez, El Greco—help you decompress. In the garden, you may sit and listen to the frogs, and contemplate the bronze angel by Jean Barbet, a visitant from a realm where problems, if not solved, are understood.

After immersion in these great paintings, the question which naturally arises is: Does this amazing collection reflect Henry Frick's taste, or that of some art-world Svengali? Frick used the services of several buyers, which suggests the controlling taste was his. Certainly his tastes changed. When he began collecting, in the mid 1890s, he went in for Alma Tadema and Bouguereau—19th-century junk, which has only been revived in our campy times. A few years later, he bought his first Old Master, and began to sell off his earlier acquisitions. One further piece of evidence: Each night, before he went to bed, he would go downstairs, turn on the lights, and look at his paintings—not the behavior of someone who is simply keeping up with the Morgans.

From the garden of the Frick Collection, something like the Mapplethorpe ruckus looks especially puny. The taxes of the middle class make a patron of the Federal Government, expressing the taste of committees, and bureaucrats, and presidential appointees. The one advantage the new system can claim is that it supports the work of living artists. Frick never bought any Picassos, though their careers overlapped. On the other hand, Picasso is dead now too, and many of the paintings Frick collected are better. Give me robber barons.

— Richard Brookhiser

Old New York

Disciplining the Audience

Because it is impossible to know where our city should go without knowing from whence it came, and in the hope that our readers share our considerable appetite for tales from the city's past, the editors of NY *have set aside this space for new looks at old New York. The current offering is excerpted from John Kasson's new history of urban manners in the 19th century, which pays particular attention to the long and arduous struggle to persuade Gotham audiences that their role in the theater was restricted to non-spoken parts, and that artistic criticism could be a non-violent pursuit.*

From the Jacksonian era to the late 19th century, a new bourgeois ideal was inscribed upon New York City: orderly, regulated, learned, prosperous, "civilized." In the theaters, symphony halls, and opera houses, the largely male and often unruly audience began to include women on a more equal footing, and began to accept as well a stricter discipline and the largely passive role audiences play today.

Until at least the 1840s, many went to the theater not to sit passively before the performers but to see and be seen, to talk, to cheer, and to jeer. Throughout the antebellum period, the houselights remained on

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during the performance, not only to permit a better view of the stage, but also to allow spectators to see one another. Attending New York's Park Theater in 1802, the youthful Washington Irving noted that those in boxes appeared to use the theater as "a coffee-house, or fashionable lounge, where . . . [they] indulge in loud conversation, without any regard for the pain it inflicts on their more attentive neighbors." The "gallery gods," meanwhile, expressed pleasure and annoyance by "stamping, hissing, roaring, whistling," and occasionally "groaning in cadence," as well as amusing themselves by throwing "apples, nuts & ginger-bread" at the stage or whoever caught their eye in the pit. The "honest folks of the pit" around Irving stood on the benches with dirty boots and commented freely on the play in front of them.

When Frances Trollope surveyed American life three decades later, she marveled at the behavior at the theater, "which seemed to disdain the restraints of civilized manners." With the publication of *Domestic Manners in America*, Trollope's descriptions of the audience quickly became famous and were supported by a catalogue of theater "indecencies" in the *New-York Mirror* and, still more eloquently and persuasively, by members of the pit themselves, who took to shouting "Trollope" whenever they spotted a transgression in the boxes.

Theatergoers occasionally joined in famous speeches and familiar songs, and they delighted in beating actors to the punch lines of old jokes. When listeners particularly enjoyed a song, speech, or scene, they cried aloud, stamped their feet, and often stopped the show to demand an immediate repetition. They demonstrated their disapproval just as forcefully, hissing, jeering, and often throwing things at the performers. They occasionally retailored the program to suit their tastes, as when an audience at New York's Bowery Theatre in 1833 insisted that the orchestra dispense with a symphonic overture and play "Yankee Doodle" instead.

Audiences sometimes rioted on behalf of their sovereign rights as theatergoers. Viewing themselves as "the public" and the theater as a "public" gathering place for their collective amusement, rioters dispensed rough justice by chasing offenders off the stage and breaking a bit of property. In New York in the 1810s and '20s, audiences rioted against last-minute changes in the program, inoperative stage machinery, and a play (Gay's *Beggar's Opera*) they regarded as lewd and immoral. Other minor theater riots occurred in the 1830s and '40s, but the most serious incident, and the great watershed in attitudes toward the prerogatives of the audience, was New York's Astor Place riot of 1849.

The Astor Place riot arose out of a dispute between partisans of the first great American tragedian, Edwin Forrest, and his eminent English rival William Charles Macready. The affair originated in Edinburgh in 1846, when from his box Forrest hissed Macready's playing of Hamlet. Macready was outraged; "The low-minded ruffian!" he exclaimed in his diary. But Forrest publicly defended his action as a traditional, legitimate, "salutary and wholesome corrective of the abuses of the stage."

The quarrel exploded into a public conflict in May of 1849 when Macready, on U.S. tour, came to New York's elegant Astor Place Opera House. First opened only a year and a half earlier, in November of 1847, the Astor Place Opera House marked a decisive step in the transformation of theater patrons into a segmented and refined audience dominated by the wealthy bourgeoisie. A group of 150 wealthy and socially prominent subscribers built the opera house to embody new standards of refinement. Instead of promiscuous open seating on hard benches, it boasted a parquet with fixed red damask seats, sold only by subscription. The only seats open to general admission during the opening season were some 500 in the

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gallery, renamed the "amphitheatre," most with views obstructed by a huge chandelier.

Macready's first performance, in *Macbeth*, was reduced to pantomime as hecklers kept up a chorus of boos, hisses, whistles, groans, and yells, including "Three groans for the codfish aristocracy!" and "Down with the English hog!" The audience threw eggs, potatoes, apples, lemons, copper coins, pieces of wood, an old shoe, a reeking bottle of asafetida, and, finally, several chairs from the gallery, until at last Macready was driven from the stage. He returned for a second performance of the play only at the urging of 47 of New York's most prominent citizens (including Washington Irving, Herman Melville, and Richard Grant White). This time, despite renewed jeers from Forrest's claque and with the aid of aggressive policemen, Macready completed the performance. Nonetheless, thousands of workingmen outside bombarded the theater with paving stones and tried to storm the entrance—whereupon the militia fired upon them. At least 22 people died, and over 150 were wounded or injured.

In the decades after the Astor Place riots, the theater, concert hall, and opera house became arenas in the struggle to reshape the character of the audience. In Europe, as well as in the United States, an aesthetic hierarchy developed, more rigidly separating "elite" and "popular" works, transforming theater and concert life. New, more centralized organizations, a new stress upon professional stature, and a new middle-class audience all contributed to these changes. Their dynamics are perhaps most clearly expressed in the establishment of the symphony orchestra and the rise of the conductor.

In the early 19th century, in the United States, as in the leading capitals of Europe, most classical concerts presented highly varied and often quite lengthy programs to attract an audience and mollify donors. A typical mid-19th-century American program would include a rousing battle piece such as Kotzwara's "Battle of Prague," or else a lively dance number such as "The Skinners' Quickstep," "The Fireman's Quadrille" (accompanied by firemen dancing in full uniform and extinguishing a simulated fire onstage), or "The Railroad Galop" (which in one performance included a toy locomotive running onstage to the music). In Europe as well as in America, most orchestras lacked a single permanent music director and held only one rehearsal for each concert. Performances were ragged and inept. (A Covent Garden concertgoer remarked in 1833 that the orchestra was worst on Saturday night, because the musicians were paid that day and promptly got drunk.)

On the European continent, concert orchestras were generally based in opera houses. The permanent resident symphony orchestra, with musical direction determined by a single conductor and financial authority vested in a corporate board of laymen, was a distinctively American invention. A great task of the new breed of conductors was to impose order, not only on the orchestra, but on the audience.

The preeminent figure in this great battle was Theodore Thomas, who began his conducting career in 1860 at age 25, and worked with various orchestras, including the New York Philharmonic and the Brooklyn Philharmonic Society, over the next 30 years. During one of Thomas's popular summer concerts in New York's Central Park Garden, a young man in a front seat prattled heedlessly through the second movement of Beethoven's *Eighth Symphony*, then noisily struck several matches in an effort to light his cigar. Exasperated, Thomas stopped the orchestra, put down his baton, and turned to the offender with "one of his sweetest and most cynical smiles, saying, 'Go on, sir! Don't mind us! We can all wait until you light your cigar!' " The cigar was not lit, and the man remained silent the rest of the evening.

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Thomas came to embody the belief that the best symphonic music demanded the most cultivated sensibilities of players and listeners alike. In this sense, the cause of musical manners and morality were one. Central to his "philharmonic creed," Thomas declared, was "to endeavor always to form a refined musical taste among the people by the intelligent selection of music; to give . . . only standard works, both of the new and old masters, and to be thus conservative and not given to experimenting with the new musical sensations of the hour." The concert hall was to be an art museum dedicated to the most demanding standards of connoisseurship, where only the greatest authenticated works should be displayed.

Thomas's long struggle in the cause of artistic authority and decorum could not have succeeded alone. An important strategic weapon in these battles was written admonitions to the audience. As early as the mid 1850s the New York Philharmonic Society distributed printed appeals for silence to its listeners. A typical note on the program of Theodore Thomas's summer concerts in New York's Central Park Garden in the mid 1870s ran: "The audience is requested to abstain from loud talking during the performance of the music. Owing to the length of the Programmes, encores of Overtures and other long pieces cannot be complied with." An 1876 program note for a performance of *Julius Caesar* at Booth's Theatre in New York asked the audience "to courteously remain in their places until the fall of the curtain, that ALL may have an uninterrupted view of the grand finale to the play."

How quickly the new standards spread may be seen from the increased asperity of contemporary etiquette books. Several specifically endorsed Theodore Thomas's reproofs of disruptive concertgoers. Once-customary rowdiness was now branded as a crime against both decent society and art. Etiquette advisers denounced disrupters as "thieves and robbers" who cheated performers and spectators alike.

Perhaps the most significant effort to offer appealing and morally inoffensive entertainment in decorous surroundings was the emergence of vaudeville in the 1880s and '90s. Vaudeville borrowed heavily from older forms of amusement, including the dime museum, the circus, and especially the variety show, but downplayed freaks and cleaned up variety acts to offer a series of fast-paced, inoffensive attractions, often in "continuous performance" throughout the day. A typical bill might include an opening animal act, a comic skit, a juggler or magician, a mime, an acrobatic exhibition, a singer, a dancing couple, and a one-act play.

The new concern with refinement transformed the very setting in which spectators met. The foremost early vaudeville managers, Tony Pastor, Benjamin Franklin Keith, and Edward F. Albee, adopted the elegant decor and restrained etiquette of leading theaters and concert halls as potent symbols of refinement. They shrewdly sensed the allure of such trappings for the great bulk of the middle-class families who could no longer routinely afford to attend the "legitimate" theater and light opera dominated by the bourgeois elite.

Keith and Albee together amassed an empire of theaters, 29 at the time of Keith's

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death in 1914, including six in Manhattan, another six in Brooklyn, and two each in Boston, Jersey City, Philadelphia, and Cleveland. These theaters became known among vaudevillians as "the Sunday-School Circuit" for their insistence upon inoffensive performances. Contracts warned that management demanded "a high plane of respectability and moral cleanliness," and backstage notices banned such words as "Liar, Slob, Son-of-a-Gun, Devil, Sucker, Damn," as well as any double entendres, suggestive gestures, or indecent costumes.

Turning their attention to the audience, Keith and Albee determinedly combated the rowdies. Offenders were admonished with silent courtesy. Uniformed attendants carried a variety of printed requests to distribute to errant spectators, such as:

> Gentlemen will kindly avoid the stamping of feet and pounding of canes on the floor, and greatly oblige the Management. All applause is best shown by clapping of hands.
>
> And:
>
> Please don't talk during acts, as it annoys those about you, and prevents a perfect hearing of the entertainment.
>
> *The Management*

Nonetheless, in the decades surrounding the turn of the century there were still theaters, controlled by working-class immigrants, that retained the boisterous and convivial informality of the antebellum era. Yiddish theater, well represented on the Lower East Side, borrowed freely from a variety of classical authors and traditions, particularly Shakespeare, to create stirring plays such as *The Jewish King Lear* and *The Rabbinical Student* (Hamlet). The audience threw itself into the action, cheering wildly, crying openly, often demanding immediate encores. A half century earlier, Edwin Forrest's stirring portrayal of the villainous Iago in *Othello* incited a canal boatman to cry out, "You damned-lying scoundrel, I would like to get hold of you after the show and wring your infernal neck." So too another actor of towering virtuosity, Jacob Adler, in the title role of *The Jewish King Lear*, stirred a man to rush down the aisle, shouting, "To hell with your stingy daughter, Yankl! She has a stone, not a heart. Spit on her, Yankl, and come home with me. My *yidene* will feed you. Come, Yankl, may she choke, that rotten daughter of yours."

Theater critic John Corbin reported on New York's Italian and Yiddish theaters, his anti-Semitism driving him to prefer the Italian in every respect. Yet in both he discovered an intense commitment to art that he frankly envied. The entire audience responded passionately to the drama, laughing, murmuring, making brief remarks to neighbors, shouting with delight at the climaxes, and at the end of each act yelling "at the top of their lungs." With all the gains of disciplined spectatorship, what had been lost?

The growing professionalism of the performing arts and the organization of their audiences supported new standards of artistic excellence. But audiences increasingly viewed performers as across a gulf, and one another as strangers. Like much of the larger society, an evening at the theater became more controlled, inexpressive, structured, and managed. Artists and entertainers risked becoming products to be passively consumed, their performances reduced to fashionable purchases. As the new century progressed, audiences themselves would increasingly be treated by entertainment and media entrepreneurs as commodities, to be identified, enticed, packaged, and delivered—to various clients from advertisers to politicians.

— John F. Kasson

Letter from Park Slope

At sunset, when the light slants through the leafy green of spring and bathes the burnished brownstones and the terra

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cotta palaces in a warm red glow, Park Slope is a place of aching beauty. There is so much here, so many aspirations caught and transfixed in hard stone; in church steeples and townhouses, in monuments and in the fading paint along Seventh Avenue, exposing the mercantile ambition of long-dead shopkeepers. Here, battered and buried under the assorted sordid burdens New York City neighborhoods are asked to carry, the skeleton of the Brooklyn the city fathers envisioned remains. You can still *see* it: a city of parks and churches, museums and concert halls, of art and music, knowledge and industry—brimming with civic pride and a brisk, practical optimism. The people who built Park Slope believed in destiny: their own and this city's.

Park Slope was built 100 years ago by people with big ideas and deep pockets. Between 1860 and 1900, bustling diamond merchants, lawyers, inventors, and business executives erected row after row of elegant townhouses—Victorian Gothic, French Second Empire, Queen Anne, and Romanesque Revival— in the streets genteelly renamed after philosophers, presidents, signers of the Declaration of Independence. They imagined Prospect Park, upon whose slopes the neighborhood rests, would become the centerpiece of the new Brooklyn, rivaling the splendor of Manhattan.

Thomas Adams Jr., inventor of the world famous Adams Chiclets automatic vending machine, built a mansion on Eighth Avenue, right down the street from the imposing Romanesque Revival palace erected by Charles L. Feltman, inventor of the Coney Island classic "hot-dog-on-a-bun." Stewart L. Woodford, onetime ambassador to Spain, lived on President Street, just down the block from Laura Jean Libbey, author of over 80 novels with titles such as *The Price of a Kiss, Lovers Then But Strangers Now,* and *A Fatal Wooing.*

In New York, there are many mansions, and the restless rich moved on. The urban palaces and tasteful brownstones degenerated into restaurants and rooming houses in the Thirties and Forties, then became havens for large Irish and Italian families in the Fifties and Sixties. During the Seventies, the neighborhood, though never really rough, became decidedly bohemian, only to be reclaimed by the bourgeoisie in the Great Eighties Brownstone Boom.

There are three enormous Catholic churches, cathedrals almost, within three blocks of my home in Park Slope. On Sundays, they stand three-quarters empty, mute testimony to the migration of the Italian and Irish families to greener climes, further out the Island, to Queens and Levittown, and beyond. "There used to be six, seven, eight kids in all these houses," reminisces a friend of mine, who grew up in Park Slope, "We didn't have toys in those days, we played on the sidewalks and in the streets." Walking up Carroll Street, with huge trees arching over the wide sidewalks, I can see their ghosts.

The first thing you notice about the Slope is still the kids. Park Slope is a survivor of an earlier era, when the middle class lived in the city, as well as working and playing here. The baby boomlet hit here with a vengeance. When I take a coffee break with my friends in the neighborhood, the conversation, after wandering a ways through the latest Anne Tyler novel or the Laurie Anderson concert at BAM, settles down to the business of life: to husbands and kids, nursery schools and encounter groups, teenage angst and mid-life crises. Often, I am startled to look up and realize that each of the other half-dozen or so women sitting around the broad kitchen table have three and four kids. There are seven elementary schools in the neighborhood (three public, two private, and two parochial), three toy stores, two children's clothing stores, and on hot summer nights, the line at the local Haagen Dazs store stretches out into the street. Park Slope re-

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mains that most delightful thing: a family neighborhood in the heart of the big city.

At three o'clock the mothers gather on Seventh Avenue outside the school yard at P.S. 321, one of the better elementary schools in New York City, to exchange greetings and gossip and also to keep an eye on the school. Park Slope is fiercely proud of its great good luck in having such a public school at hand and also fiercely protective of the school's welfare. Like the neighborhood, the school is integrated by both race and class. Children of lawyers mingle with children of welfare mothers. I experienced slight culture shock at discovering that the parents of two of my son's friends are Communists. Card-carrying.

Seventh Avenue, the Slope's main commercial strip, is lined with many of the other necessities of family living: fish markets, craft boutiques, butcher shops, health food stores, a movie theater, and an amazingly literate bookstore or two, staffed by local artists and browsed in by local authors (I was not the only mother in my son's kindergarten class with a book in the window).

Many of the ornaments of life are equally near at hand. The imposing facade of the Brooklyn Public Library is just a stone's throw away, as are the serene avenues and lilac forests of the Brooklyn Botanical Garden. The nearby Brooklyn Museum, designed in 1893 by the firm of McKim, Mead & White, was originally envisioned to span 1.5 million square feet. The central dome alone would have dwarfed the dome of the Capitol in Washington D.C., but only one-sixth of the plan was ever realized. Originally intended to house all knowledge, it has since become an art museum. Once, during the middle of the day, I stopped by to see the latest retrospective. It might as well have been a private exhibition: just me, the security guard, and a hundred Courbet paintings. The neighborhood's chief charm, far more important than the marble fireplaces and the gaslit streetlamps: It is indisputably urban, yet livable—a neighborhood for educated New Yorkers with cosmopolitan tastes and children.

Three years ago, the first homeless appeared.

I do not live in a tenement. My neighbors are mostly two-income professional couples, refugees from the Upper West Side: an investment banker, a couple of lawyers, an ad man. Nonetheless, there is an otherwise homeless man who lives just outside our basement door, underneath our stairwell. Our garbage is apparently a major source of income for him. We have tried asking him politely not to live and defecate in our stairwell, but social pressure does not appear to move him. We are hoping the landlord will solve the problem by installing a locked grate, but social pressure does not appear to move him, either.

This neighborhood still retains a great deal of official sympathy for the homeless, but it is waning. It is hard to sympathize with people who are urinating on your sidewalk, throwing your garbage on the street, and knocking on your door late at night when you are home alone with your kids and "asking" for money in a belligerent tone.

Last Friday, I attended a farewell party for a couple who, after four years in Park Slope, is packing up their three kids and heading for Scarsdale. For them, the moment of truth came 18 months ago, when a neighbor came running over to say she had just been held up, at gunpoint, while standing outside her front door. On Seventh Avenue a purple wreath put up by the Seventh Avenue merchants' association flutters gracefully in the wind. It is a memorial to a local store employee who was shot and killed a few months back. "Where and when did it happen?" I ask, but nobody answers. Nobody wants to talk about it.

Between 1970 and 1990, the total number of children living in New York City dropped by nearly a quarter. Almost all the decline came from the flight of white mid-

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dle-class families from the city. Without middle-class families, the city becomes an open battle ground between the insulated rich and the trapped poor, a place where the young and restless roost temporarily in decaying brownstones to cheer from the sidelines, imitating the former but rooting for the latter, before moving on in search of better nesting grounds.

If it wants a middle class, New York City will have to make it safe for us to have children. But instead of nurturing enclaves like Park Slope, the city prefers to sit around dreaming up new methods of torturing us, as when city officials decided to use an Armory in the South Slope as a city homeless shelter, or when Beep Howard Golden applauded a private charity's decision to turn two Slope townhouses into homes for wayward "boys" aged 16 to 21 years.

The ending to the Park Slope story has not been written. Perhaps it will be a happy one. One way or another, the story of Park Slope is very likely to become the story of New York City. For here, the middle class turned and made a final stand: reclaimed a neighborhood, built a community in which one can enjoy both family living and cosmopolitan culture. Yet the ability of the neighborhood to defend its character remains in doubt. The forces arrayed against this urban oasis remain powerful. One of the strongest forces is the ambivalence of the residents themselves, uncertain not only of how to preserve this neighborhood, but whether they have any right to do so. Like most New Yorkers, people here in the Slope are torn between the oft repeated and sincerely believed platitudes about root causes and Reagan's neglect, and the plight of the homeless, and the growing realization that if we want to keep the neighborhood with which we fell in love, we will have to fight for it.

So people in the Slope are busy now: improving the local junior high, raising money to restore the Prospect Park carousel, hiring private security guards to patrol the streets, reclaiming Berkeley Place playground from drug dealers, meeting with police to find ways to close the brothels and the crack houses operating openly 24 hours a day on Fifth Avenue. When in broad daylight, about 8:30 one fine June morning, a pocketbook was ripped from Maria Stecker's hands, she screamed, "Help! Thief!" A construction worker called the police, a doorman let her use his phone, two women joggers and a male pedestrian chased the thug and recovered her possessions. The neighborhood survives.

At 6 a.m. a car alarm screams. I am up anyway and so I do the decent thing: I look out my window. The cause of the alarm becomes clear: Two young men are jumping up and down on automobiles.

When you live on the ground floor in an apartment with no bars on the windows, and a pair of unknown individuals are, in the face of all claims of common decency, jumping up and down on cars at six in the morning, the question you must ask yourself is, "Will I be afraid?" Will I do something or will I just hole up here in my urban cave and hope nobody notices? After all, I don't even own a car.

But my neighbors do. Carefully I tailor my message as narrowly as possible. Get off the cars, I say with a certain firmness. They pause, startled, to look at me. Get off the cars, I say again, loudly and distinctly. They pay no attention. I close the window, meditating whether to bother the police. Thirty seconds later, the kids vanish. So they were kids, then, after all, and not murderous crackheads on a turf-battling rampage. From where I stand it is sometimes hard to tell.

For the rest of the day, I enjoyed that smug and secure warmth that comes from knowing you are the boss of this turf. Another day, another victory.

Park Slope survives. And in fin-de-siècle New York City, that is a triumph.

— Maggie Gallagher

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DIARIST

Around the Clock With Alternate-Side-of-the-Street Parking

Thursday—11 a.m. As usual at this hour, my lightly trafficked street in Brooklyn presents a curious sight: a row of cars neatly parked along one curb, and another row of cars neatly double-parked alongside it, locked and, for hours, unattended. The city makes it illegal to park on the west side of our block from 11 a.m. to 2 p.m. on Mondays and Thursdays, and on the east side, Tuesdays and Fridays. It is equally forbidden to double-park on the legal side, but that's what is done instead. Out-of-towners find this mysterious.

12:20 p.m. The mystery lessens when a city vehicle pulls up beside a straggler still parked on the unsafe side. An officer gives it a ticket and slaps a big sticker on the drivers'-side window: THIS CAR IS PARKED ILLEGALLY. The sticker is garishly yellow and hard to scrape off—a semi-permanent punishment imposed without a hearing.

12:50 p.m. Alternate-side parking shapes the whole day. Legal spaces for tomorrow open up at 2 p.m. today and are all taken by, say, 6:30. Sometime within that period one must arrange to be at home to move the car. Furthermore, no errand or outing should be undertaken unless the car will return during those hours. It is thus nearly impossible to use the car mornings or evenings, most days of the week. There is an errand to run today, but it will take only 45 minutes, so leaving now would be premature.

1:45 p.m. A good time to hit the road. But my car is barricaded by one of the double-parkers, a service truck.

1:55 p.m. The truck's owner is working in a house five doors down, as I discover by honking 18 times. He moves his vehicle forward eight feet and I head off, avoiding eye contact.

2:35 p.m. Errand accomplished, I park on tomorrow's safe side, where the car will stay until tomorrow afternoon. One gets used to turning down social invitations rather than give up a safe spot.

10:15 p.m. Tonight, however, an emergency comes up: I have to run a manuscript over to Park Slope, two miles away. Sigh.

10:45 p.m. Return from errand. My former safe spot is taken. I park on the unsafe side and begin plotting strategy for tomorrow.

Friday—6:55 a.m. Taking in the morning paper in my robe, I nervously survey the street for likely openings. Suddenly a rush of adrenalin: A woman is walking briskly with jingling keys. Sure enough, she gets into a car on the safe side and starts up the ignition. I rush to the dresser and start pulling on trousers.

6:57 a.m. Hastily clad, I run out and start my car. Too late: A neighbor has been quicker and in a neat 90-degree maneuver snub-noses his car perpendicularly into her space, enough to claim first dibs. I give up and head back to the house; he then parallel parks at his leisure.

10:35 a.m. No spaces anywhere, the deadline minutes away. I resign myself to driving several blocks to an expensive garage, brooding about how other cities handle parking problems. They discourage commuters from parking on residential blocks by using neighborhood sticker-permits, which incidentally raise a lot of revenue.

In Washington, if you want to park all day on Capitol Hill streets, you buy a sticker after showing the city you live there. The streets get clean too, somehow. But then other cities don't mind if their citizens are mobile. New York considers it uppity of me to want to keep my car, and would apparently feel the same way even if I promised never to commit the horror of trying to take it into Manhattan.

11:00 a.m. Alternate-side parking has begun another day. There is always something paradoxical in wasting one's time deploring wastes of time. But as recent world events remind us, life is just as dead when it is killed in slices by the half-hour as when it is foreshortened at the hind end. More people leave the East Bloc to escape the lines than to flee the secret police. In New York City, this week's political outrage will give way to next week's. Alternate-side parking is scheduled to go on for the rest of my life.

—Walter Olson

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